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Hud Newsletter

Pierce Welcomes Freeing of Pension Funds for Housing

HUD Secretary Samuel R. Pierce, Jr., says he welcomes administration action that will allow the use of private pension funds to finance residential mortgages. The Secretary called use of the construction-oriented pension funds "a boost to the American economy, and especially helpful to the housing industry."

The breakthrough came at a White House meeting in which President Ronald Reagan instructed the ***Department of Labor*** to take immediate steps to permit pension plans to invest their funds in residential mortgages. Previously, provisions of the *Employee Retirement Income Security Act of 1974* prohibited the construction industry from investing its funds in the mortgage industry as a protection against conflicts of interests. The White House estimates that the rule change could make as much as $20 billion available to finance residential mortgages.

The ***President's Commission on Housing,*** in its recent report to the President, recommended "the elimination of provisions of current regulations or laws that inadvertently limit the housing investments of pension funds, insurance companies, and other potential major sources of housing capital." It urged the ***Department of Labor*** to issue proposed regulations that would exclude from the *Employee Retirement Income Security Act* regulations mortgage pools associated with pass-through securities issued or guaranteed by the U.S. or an agency or instrumentality thereof, including the ***Government National Mortgage Association***, the ***Federal Home Loan Mortgage Corporation***, and the ***Federal National Mortgage Association***.

Calling the pension fund action "an important step toward the economic recovery of the housing industry and housing affordability for American families," Secretary Pierce noted that until now the *Employee Retirement Income Security Act* constraints have effectively limited pension fund investment in residential mortgages to approximately two percent of pension fund investments. The President's action will change that, he said. "There will be no specific limit on the amount of money pension funds can invest in residential mortgages." President Reagan also instructed the ***Department of Labor*** to move quickly to allow even greater freedom for all pension funds to invest additional monies in housing.

Secretary Pierce said: "Pension funds are a major economic force in the Nation. Their assets in the past 20 years have grown from $38 billion to more than $600 billion. These funds are the single largest pool of long-term capital in the Nation."

He said that he had talked with various union representatives and pension fund trustees about the possibility of investing pension funds in residential mortgages for the past several months. "From those conversations," he said, "I feel certain that there will be a very substantial investment of pension funds in residential mortgages. Such investments will be beneficial for pension fund participants and for the country."

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HUD Announces Results of Mortgage Lending Survey for September

HUD has announced that originations of mortgages on one-to-four family homes dropped to $8.1 billion in September, down 48 percent since September 1980. Savings and loan association loan closings were off 61 percent from a year ago, while closings for commercial banks and mortgage companies were down 39 and 29 percent, respectively. Savings and loan associations accounted for 38 percent of September originations, followed by mortgage companies and commercial banks with market shares of 25 percent each.

According to the survey, long-term loans closed during September on multifamily residential properties totaled $.8 billion, a decrease of 40 percent from last September. Long-term loans on nonresidential properties totaled $2.2 billion, a decrease of 28 percent over the last year.

States May Consider Proposed Model Real Estate Act in 1982

Selected State legislatures meeting in 1982 are expected to consider a proposed *Model Real Estate Cooperative Act* approved by the ***National Conference of Commissioners on Uniform State Laws (NCCUSL)*** in August 1981. A ***NCCUSL*** spokesperson said because the *Act* is designated as a model act, rather than a uniform *Act*, it may not receive from the Commissioners the same priority as the *Uniform Condominium Act* received in terms of recommending it to their respective State legislatures.

However, the proposed *Model Real Estate Cooperative Act* is described by the *Law Reporter*, the official organ of the ***Community Associations Institute***, as "a significant step in the development of community association law." The *Reporter* said: "When considered together with the *Uniform Condominium Act* (1977), and the *Uniform Planned Community Act* (1980), the *Co-op Act* completes the circle of statutory schemes designed to rationalize the treatment of community associations and promote their being developed in a manner that is both protective of the interests of all the parties involved and viable in the long run."

The proposed *Act* was patterned after the other uniform acts and contains many of the same documentary and disclosure requirements that those acts contain, the *Reporter* said. It also contains several important innovations, including a provision permitting the original co-op sponsor to choose whether the cooperative interests in the project will be real estate or personal property. The choice made by the sponsor, the ***CAI*** newsletter said, will determine the treatment the project receives for such purposes as taxation, sales, recordation, financing, lien perfection and priorities and rights of redemption.

Publications Available

The following publications are available from the Publishers Central Bureau, Department 124, 1 Champion Avenue, Avenel, N.J., 07131.

Adding Solar Heat to Your Home. . . contains information on planning, installing and using solar heating in a new or existing home; tells how you can harness the energy of the sun to heat your house easily and economically. $7.95, 358263.

Low-Cost Green Lumber Construction. . . tells you how to get a break on construction costs by using low-cost, strong, attractive and readily available green lumber; includes special construction techniques and many how-to-do-it illustrations. $8.95, 364220.

The Log House Book. . . designed as a practical answer to the current housing crunch, this do-it-yourself guide tells you how to plan, build, or buy a log house, from one-room cabins to family-sized homes; includes tips on designing your own house or purchasing pre-cut kits, selecting a building site, laying a foundation, installing fireplaces, wood-burning stoves, etc. $5.95, 334992.

Nuggets

The ***Census Bureau*** reports that about one in 36 people – 2.7 percent of the population – lives on a farm. The report said that the Nation's farm population numbered 6,051,000 during 1980. In 1920, 30.1 percent of the total population lived on farms. The farm population has proportionally more whites, more males, more married couples, and higher fertility than the nonfarm population, according to the ***Census Bureau***. The ***Bureau*** also noted that the farm population is somewhat older with the median age being 35.5 years (1980). That is 5.5 years older than people who do not live on farms.

The ***Worldwatch Institute***, a Washington, D.C.-based research group, says that as many as five million small windmills could someday provide as much electricity as 25 atomic reactors for American homes, businesses and farms. A study, *Wind Power: A Turning Point*, said that some 370,000 farms and businesses and 3.8 million rural homes could make use of small-scale wind energy. "Many countries can eventually meet between 20 percent and 30 percent of their electricity needs with a combination of large and small wind turbines," the report said.

According to a marketing survey by *Advertising Age* and the ***Marketing Economics Institute***, black consumers spent more than $38 billion on housing, food and clothing in 1980, and are a potent force in the American economy. The survey also indicated that blacks are concentrated in a select group of urban markets, making up 15.6 million of the 91.2 million living in these metropolitan areas. The major markets for blacks, however, are not necessarily among the 50 largest cities in terms of total population. The study, based on the 1980 census, also revealed that during the last 10 years, blacks living in cities rose 9 percent to 11.5 million. At the same time, blacks who left the inner cities increased some 34 percent to about 4.1 million.

The ***Tax Foundation*** said in a recent report that 23 States paid more taxes to support Federal grant programs than they received in aid last year. Texas, Connecticut, Indiana and Ohio led the list of States with the largest tax payments for each $1 in Federal aid returned to them. Texans paid $1.40 for each $1 returned; residents of Connecticut paid $1.35 for each $1 and Ohio residents paid $1.27. The ***Foundation***, a nonprofit and nonpartisan research group, said that the Federal Government distributed $88.6 billion in grants to the States in Fiscal Year 1980.

A survey by the State Planning Office in Vermont has revealed that some 56 percent of all State households use wood as either a main fuel or as a backup fuel. Three years ago, the survey said, oil was the dominant fuel and only about 22 percent of Vermont households used wood as the main fuel. Today, the study showed, 39 percent of all households use oil as a main fuel, compared to 59 percent in 1978.

Meanwhile, the ***Wood Heating Alliance***, a private trade organization in Chicago, reports that 1.2 million woodburning stoves were sold in 1979. Only about 200,000 were sold in 1973. The ***Alliance*** said that households burned 30 to 40 million cords of wood for heating last winter, compared to about half that amount in 1970. A cord of wood measures 4' by 4' by 8' and costs from $65 to more than $100, depending on locality. The average household using wood stoves can burn an average of six or seven cords of wood per year.

The ***Columbia Broadcasting System*** and ***American Telephone and Telegraph*** have announced plans to jointly test a computer-based, home-information system using videotex terminals. The test, involving about 200 homes, is scheduled to begin in about a year and will run for seven months. The term videotex describes the technology that enables households to receive information and perform such functions as banking and billpaying by the use of television sets connected to telephone lines.

FYI

American Management Associations, Human Resources Division, "Equal Employment and Affirmative Action: Positive Management Approaches to Compliance," Part 1, A Basic Orientation, San Francisco, Calif., January 18-20, 1982; Part 2, San Francisco, Calif., January 21-22, 1982. Details: AMA, 135 West 50th Street, New York, N.Y. 10020 (202/246-0800). Parts 1 and 2 will be offered again as follows: February 1-5, Houston, Texas, and February 22-26, Washington, D.C.

Significant Litigation

Vandermark, et al. v. *Housing Authority of the City of York, et al.*, C.A. No. 81-1327 (3rd Cir., Oct. 23, 1981)

The Third Circuit affirmed the District Court decision holding that the York Housing Authority (YHA) policy of refusing Section 8 assistance to persons owing the YHA money was consistent with the *United States Housing Act* and *HUD* regulations. The Court of Appeals found that the *Housing Act* delegates much authority to local public housing agencies (PHA) and, therefore, *HUD* regulations properly provide for local development of eligibility and preference requirements. The court found that PHA's have "a clear fiscal and management interest in making certain that debts owed to it by Section 8 applicants are first paid." The court also concluded that *HUD's* approval of the YHA's use of the criteria did not constitute rulemaking which would require the notice and public comment procedures under the *Administrative Procedures Act*. Finally, the court held that the use of criteria which excluded from participation in the Section 8 program persons owing debts to the YHA, but which did not exclude persons owing debts to other creditors, did not constitute a denial of equal protection.

Blackshear Residents Organization v. *HUD*, No. 79-3558 (5th Cir., Oct. 13, 1981)

The Fifth Circuit has affirmed the District Court award of summary judgment in favor of *HUD* and the City of Austin, Texas. A community group representing low-income persons who live in predominantly low-income areas in Austin, Texas, alleged that *HUD* had violated the "no substantial reduction" provision in 42 U.S.C. §5301(c) by permitting the City to use CDBG money to fund several projects that it previously had indicated it might fund locally. Plaintiffs also alleged *HUD* should have promulgated regulations to implement §5301(c).

In denying appellants' claims the Fifth Circuit held that the Congress has not stated that a local government must fund community development projects at any certain monetary level or that there must be continued support for specific projects. Rather the local support for all the community development activities is not to be substantially reduced. The court also declined to evaluate whether CDBG funds should have been used for projects that appellants preferred. Finally, the court ruled *HUD* was not required to promulgate regulations to implement §5301(c) and that *HUD's* monitoring of compliance with §5301(c) on a case-by-case basis was satisfactory.

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Hud Newsletter

Housing Commission Seeks Overhaul of Financing Systems

The ***President's Commission on Housing*** has called for an extensive overhaul of the current home financing system to ensure that adequate funds are available for home loans in the next decade. In a draft position paper, ***Financing the Housing Needs of the 1980's***, the ***Commission*** noted that the changes needed may be as widespread as those made during the 1930's when depression-era legislation set up the current structure that enabled savings and loan associations to become the primary source of home loans.

The draft paper said, "In an age of rapid inflation, unstable fiscal monetary policy, fluctuating interest rates and increased market competition, this structure is no longer adequate to finance housing." It noted that the thrift industry has been hurt by inflation and high interest rates which have boosted the cost of money above the rate savings and loan associations and mutual savings banks are getting from their portfolio of old mortgages. Noting that "home buyers and the housing industry have been caught in the ensuing crunch," the report said the most important contribution the Government can make to housing finance is reducing inflation through consistent monetary and fiscal restraint over a long period.

The draft position paper said that "a broader based and more resilient system of housing credit is needed to finance the housing needs of the 1980's" and recommended giving broader powers to thrifts so they can offer checking accounts to businesses, invest more widely in consumer, commercial and agricultural loans and expand their real estate investment activities. It also recommended the expansion of commercial bank powers to enable them to invest in residential mortgages and real estate.

The ***Commission*** also recommended preemption of restrictions on due-on-sale clause enforcement, allowing interstate and intra-industry mergers, and a change in Federal tax law. It called for tax changes which would encourage concentration of assets in residential mortgage instruments so that this incentive is available to all types of financial institutions investing in housing.

The 25-member ***Commission,*** which presented its interim report to the President and to ***HUD*** Secretary Samuel R. Pierce, Jr., on October 30, 1981, continues to study issues related to improving housing conditions in this country. Issues slated to receive additional study include:

* homeownership, especially the problems of first-time buyers;

* mortgage revenue bonds;

* Federal credit programs;

* the rental-housing market; and

* special housing problems of minorities, the elderly and those in rural areas.

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The final report of the ***Commission*** is scheduled to be submitted no later than April 30, 1982. Copies of the interim report are available for $4.50 each from the ***Superintendent of Documents,*** U.S. Government Printing Office, Washington, D.C. 20402. Additional information on the ***Commission's*** work may be obtained from it's headquarters, 730 Jackson Place, N.W., Washington, D.C. 20503 (202/395-5832).

Pierce Appoints Moore; Selects Shepard, Smith for HUD Positions

HUD Secretary Samuel R. Pierce has appointed Joy E. Moore to the position of Deputy Assistant Secretary for Legislation where she will play a major role in the design and development of the Department's legislation program, communicate ***HUD's*** legislative programs and policies to the Congress, and supervise the Office of Legislation staff.

Prior to her appointment, Moore served as director of Government Assisted Housing and Community Development for the ***National Association of Realtors (NAR)*** in Washington, D.C. where she worked on behalf of legislative and regulatory issues affecting housing and community development. She also specialized in mortgage finance issues affecting primary and secondary lending institutions.

She served as a special assistant to the Assistant Secretary for Housing at ***HUD*** in 1976 and has served as an assistant director in the old ***Office of Economic Opportunity.*** A graduate of ***Armstrong College,*** Berkeley, Calif., she holds a B.S. degree in political science.

Secretary Pierce also has announced the selection of Bruce E. Shepard, a Colorado Springs bussinessman, as administrator of ***HUD's*** Denver Regional Office, and B.A. Smith as Assistant to the Secretary for Labor Relations. Shepard will oversee the monitoring and evaluation of program management and operations in ***HUD*** field offices in Colorado, South Dakota, Montana, North Dakota, Utah and Wyoming.

Between 1968 and 1972 Shepard was co-owner of the ***Shepard Companies, Inc.***, a real estate development firm located in Colorado. Since 1972, he has worked in the development of day-care centers, condominiums, office buildings and warehouses. He earlier was self-employed in the insurance industry and worked in the accounting division of the ***Interstate Gas Company,*** Colorado Springs, Colo.

Smith will serve as the principal policy advisor to the Secretary on matters pertaining to labor relations and labor standards, and will be the Secretary's representative on labor matters arising in ***HUD*** construction projects. Before coming to ***HUD,*** his most recent governmental experience was as team leader of President Reagan's Transition Team for independent labor agencies. He has taught law school courses in constitutional and labor law and has written numerous articles.

A graduate of the ***U.S. Naval Academy*** (Annapolis, Md.), with a bachelor of science degree, he also earned a master's degree in business administration (MBA) from ***Northeastern University*** (Boston, Mass.), and a Juris Doctor degree from ***Suffolk University*** (Boston).

The ***Superintendent of Documents,*** U.S. Government Printing Office, has notified ***HUD*** that the cost of a yearly subscription to the ***HUD Newsletter*** has been raised to $44.00, domestic rates, and $55.00, foreign rates. The increases are effective immediately and apply to new and renewed subscriptions. Subscription matters should be addressed to the ***Superintendent of Documents,*** Government Printing Office, Washington, D.C. 20402.

Bollinger to Participate in Urban Imperative Forum

Stephen J. Bollinger, ***HUD*** Assistant Secretary for Community Planning and Development, is scheduled to speak on "New Directions in Federal Urban Policy" at a conference sponsored by the ***Conference Board*** and the ***Business Urban Issues Council.*** The meeting will be held in Washington, D.C. on January 19, 1982, at the Mayflower Hotel.

The conference on "The New Urban Imperative for Business" will discuss the impact of the two basic thrusts of the new urban policy on the relationship between Government and the private sector:

* How the reduction of the role of the Federal Government in the direction and financing of urban-oriented programs will affect the activities of State and local governments, and nongovernmental institutions; and

* How the reduction of public-sector involvement in local community issues will affect the private sector – and particularly the business community.

Conference sponsors say the meeting is designed to bring together the architects of Federal policy, urban political and community leadership, and concerned business executives in order to explore the consequences and implications of the shift in urban policy. Additional information may be obtained from Leonard Lund, Manager, Urban Research Department, the ***Conference Board***, 845 Third Avenue, New York, N.Y. 10022 (212/759-0900).

GNMA Accepts Bids to Sell $458 Million in FHA Mortgages

The ***Government National Mortgage Association (GNMA)*** has accepted bids to sell approximately $458 million of ***FHA***-insured project mortgages. The total volume of bids accepted by the ***GNMA*** amounted to 78 percent of the $589 million of loans offered for sale at its December 9 auction. A total of some $1.08 billion in bids was submitted by private investors.

The accepted bids ranged in yield to the investor from 14.21 percent to 15.87 percent. The average accepted yield bid was approximately 15.05 percent. Project loans bore interest rates of 7.5 percent and had been acquired by the ***GNMA*** in the operations of its Tanden Programs (Section 8) and 27 (Targeted Tandem). These mortgages are insured by the ***FHA*** under various sections of the ***National Housing Act*** and pay insurance benefits in cash. The mortgages sold in the December 9 auction were not eligible for inclusion in pools of project mortgages that support issues of ***GNMA***-guaranteed, mortgaged-backed securities.

HUD Announces Results of Third Quarter Mortgage Lending Survey

HUD has released statistics on the dollar volume of mortgage lending during the third quarter of 1981. Originations of long-term mortgages on 1-4 family homes totaled $26.1 billion, a decrease of 35 percent from the third quarter of 1980. Savings and loan associations were off 47 percent from the third quarter of 1980, while mortgage companies and commercial banks were down 26 and 22 percent, respectively, over the same period.

Savings and loan associations accounted for 40 percent of third quarter originations while mortgage companies and commercial banks had market shares of 27 and 22 percent. ***FHA***-insured and ***VA***-guaranteed loans comprised 10 and 7 percent, respectively, of third quarter originations. Loans for new homes amounted to $10 billion or 38 percent and loans for existing homes were $16.1 billion.

Significant Litigation

Ann Bradley v. *HUD*, No. 78-3596 (5th Cir., Oct. 5, 1981)

The Fifth Circuit affirmed the District Court's granting of summary judgment to ***HUD***. Appellants had claimed that ***HUD*** violated ***NEPA*** by allowing Miami Beach, Florida, to use CDBG funds for planning the South Beach Redevelopment Project without preparing an EIS. The Fifth Circuit held that mere creation of a redevelopment plan with Federal funds under the CDBG did not constitute a major Federal action within the meaning of ***NEPA***. The court also ruled that ***HUD*** properly allowed the City to change use of some CDBG funds from rehabilitation to planning.

Indianapolis Neighborhood Development, Inc. v. *HUD*, No. IP 78-240-C (D. Ind., Oct. 16, 1981)

The District Court granted ***HUD*** and the City of Indianapolis' motions for summary judgment. A community organization of low-income people alleged that ***HUD*** had violated the "no substantial reduction" provision of 42 U.S.C. §5301(c) by approving Indianapolis' 1975-1979 CDBG applications when the City was reducing local spending on community development activities affecting street resurfacing and pavement renovation.

The court ruled that §5301(c) was merely a statement of congressional intent which does not give rise to specific standards to be applied by ***HUD***. The court also held that ***HUD*** had properly accepted Indianapolis' certification that it had not substantially reduced local support for community development activities. Finally, the court ruled ***HUD*** was not required to promulgate guidelines to implement §5301(c).

Leelanau Indians, Inc. v. *HUD*, No. G80-526 (7th Cir., Oct. 12, 1981)

The District Court dismissed the complaint pursuant to an order of the Court of Appeals remanding the case for dismissal as moot. The District Court previously ruled that ***HUD*** had interpreted its Indian Program CDBG regulation, 24 C.F.R. §571.4(b), too restrictively in terminating funds approved by mistake for an ineligible recipient. The court ruled that ***HUD*** should have released the funds to the Indian tribe although the tribe only became eligible for CDBG funds after the date that ***HUD*** required eligible applicants to apply. ***HUD*** agreed to release the funds to the tribe before the Court of Appeals ruled on ***HUD's*** appeal, thereby mooting the case.

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Hud Newsletter

Secretary Pierce Reviews His First Year as HUD Head

In a detailed report to his employees, ***HUD*** Secretary Samuel R. Pierce, Jr., has reviewed his first year as head of the agency and concluded that 1981 was "a year of dramatic change" and one of "significant events." Secretary Pierce said the year was one of great change in the Federal Government, "perhaps greater than any time since the administration of President Franklin D. Roosevelt."

He said that unprecedented cuts in budget growth, the elimination of some programs and changes in many others had a dramatic impact on his Department. The scope of change at ***HUD***, he said, is evident in the creative planning and new program concepts initiated to meet the housing and urban development needs of citizens more effectively and at less cost to taxpayers. To some extent, he noted, "this creative approach was the product of necessity."

Secretary Pierce said that he decided early that the cost of providing assisted housing had to be reduced. The cost of housing under the Section 8 new construction program was prohibitive, he said, and "even with such an incredible debt, the program has not effectively met the housing needs of the poor." Thus, he noted, he decided that a "whole new housing policy" was needed and he recommended to the President that a Housing Commission be appointed to address the problem of rising housing costs, among others. That Commission, he said, came to the same conclusion as did ***HUD's*** Office of Policy Development and Research (PD&R): "Housing vouchers can become an important tool in delivering housing assistance to those least able to provide decent shelter for themselves."

Under the proposed voucher system, eligible families – perhaps those with no more than 50 percent of the area median income – would be given basic monthly grants which they could apply toward their rent in any safe and sanitary housing of their choosing. Pierce said that this program has been budgeted in ***HUD's*** FY 83 proposal and that he expects to have a voucher system in place during that year. "With the voucher system," he said, "we will depend more on our existing housing stock. A great number of the structurally sound apartment buildings in our country are not considered safe and sanitary. We feel the voucher system will encourage the owners of these buildings to bring them up to code so they become part of the available housing stock."

To further encourage the upgrading of potentially useful apartment buildings, the ***HUD*** Secretary said that the agency has proposed a new rental rehabilitation block grant program in the FY 83 budget "as an effective substitute for the Section 312 rehab loan program and the Section 8 rehab program." He said that while this approach will considerably increase the number of housing units, there still remains a need for new construction of rental housing where there are shortages.

Noting that some of the concern over the shortage of rental housing is based on a misunderstanding, Secretary Pierce said that a ***HUD*** study has determined that there is no nationwide shortage in the rental market. At the same time, he added, there is clear evidence of market shortages in some areas while others actually may enjoy a surplus of rental units. He said that ***HUD*** is seeking ways to "help those localities which do encounter serious shortages. Toward this end, we're trying to develop administration support for the use of tax-exempt bonds that will encourage builders to construct housing where it's clearly needed."

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He said that this rehabilitation and new construction would be useful to all parts of the country, but will be especially important to distressed cities. Commenting that more is needed to make cities the viable centers of commerce and culture that they once were, Pierce said that ***HUD*** has two proposals to accomplish that goal: enterprise zones and economic development block grants. Enterprise zones, he said, will include incentives from the State and local level, complementing Federal tax and regulatory relief, as a means of encouraging business to start new operations in distressed areas. He added that some key decisions have been made on enterprise zones. The economic development block grant program is still in its formative stage and would include a variety of methods to enhance the economic vitality of cities, he added.

Other ***HUD*** accomplishments during 1981 included:

* Establishment of a debt collection task force which identified a delinquent debt of approximately $1.6 billion and steps to begin collecting the debt.

* Reduction of the delinquency rate in the Section 312 loan program from 24 percent of the outstanding loans to about 6 percent.

* The undertaking of a vigorous effort to combat fraud, waste and mismanagement under the direction of the Inspector General. Since January, ***HUD*** has recovered about $31 million as a result of I.G. audits, and other audits revealed more than $100 million in potentially recoverable monies that were spent on ineligible activities by program recipients.

* The making of "significant reductions in the burdensome regulations" that are time consuming and costly both to the Government and program recipients. ***HUD*** regulations have been reduced by more than 50 percent.

* Undertaking a small demonstration program that showed that housing costs can be reduced significantly simply by speeding up processing time and allowing minor changes in zoning ordinances, subdivision regulations, and building codes. Savings of up to 30 percent were reported when these simple steps were taken in the pilot project.

* Authorization of a buydown procedure which allows a reduction in the interest paid by the buyer in early years of a mortgage without increasing the downpayment. Under the program, the seller sets up an escrow account for monthly installment payments to reduce the interest on a buyer's loan by as much as three percentage points for a minimum of three years.

* Establishment of a workable program to make tax-exempt financing available to first-time buyers. In this project, ***HUD*** staffers worked with the ***Department of the Treasury*** to overcome technical deficiencies in proposed Treasury regulations thought to be unworkable.

* The salvaging of the Urban Development Action Grant program for FY 82, and the development of plans to continue it in FY 83 after a comprehensive analysis of the program's strengths and weaknesses. ***HUD*** also got construction resumed on some low-income housing after reaching an agreement with the Office of Management and Budget which enabled the agency to adjust allowable rents in subsidized housing projects to a realistic level.

Publications Available

Neighborhood Transition Without Displacement: A Citizens' Handbook. . . Contains examples of antidisplacement strategies; covers strategies involving charitable institutions and their networks, ways to minimize hardship related to displacement, and Federal program resources. Available for $6 from the ***National Urban Coalition***, 1201 Connecticut Avenue, N.W., Washington, D.C. 20036.

Nuggets

President Ronald Reagan will deliver his State of the Union Message on Tuesday, January 26, 1982, to a joint meeting of ***Congress***. ***Congress*** is scheduled to reconvene for the Second Session of the ***97th Congress*** on Monday, January 25.

Jamine Jackson, executive vice president of ***Fidelity Savings and Loan Association***, Port Arthur, Texas, has been nominated by President Reagan to head the ***Federal Home Loan Bank Board (FHLBB)***. Jackson, 33, would succeed John Dalton who resigned last May. The Dalton-Jackson term expires June 30, 1982.

Kenneth Moffett has been nominated to head the ***Federal Mediation and Conciliation Service***. Moffett has served as acting director of the agency since January 1981. The 50-year old ex-mine worker has worked for the agency for more than 20 years.

Jean A. Crockett has been appointed chairman of the ***Federal Reserve Bank of Philadelphia***, and Caroline Ahmanson will head the ***Federal Reserve Bank of San Francisco***. They are the first two women ever named as ***FRB*** chairmen. Crockett, 63, is a professor and chairman of the finance department at the Wharton School, the ***University of Pennsylvania***, in Philadelphia. Ahmanson is chairman and chief executive officer of ***Caroline Leonetti Ltd.***, an educational organization based in Hollywood.

Lawrence F. Kramer has been named to the ***Advisory Council on Historic Preservation***, an independent agency which serves as the primary policy advisor to the President on historic preservation. Kramer is currently serving his fourth term as mayor of Patterson, N.J., the oldest industrial city in the Nation. He was a member of the ***Presidential Advisory Council on Intergovernmental Relations*** in 1969.

FYI

American Management Associations. . . "Equal Employment and Affirmation Action," Houston, Texas, February 1-3, 1982. Details: ***AMA***, 135 West 50th Street, New York, N.Y. 10020. (212/246-0800).

American Bankers Association, Operations and Automation Division. . . "Bank Telecommunications Workshop," Los Angeles, Calif., February 7-10, 1982. Details: ***ABA***, 1120 Connecticut Avenue, N.W., Washington, D.C. 20036, (202/467-4941).

American Bankers Association. . . "The National Trust Conference," New Orleans, La., February 7-10, 1982. Details: Nancy Mancuso, ***ABA***, 1120 Connecticut Ave., N.W., Washington, D.C., 20036 (202/467-4025).

National Housing Rehabilitation Association. . . "Urban Ventures School: Managing a Profitable Rehabilitation Business," Portland, Ore., February 8-10, 1982. Details: ***NHRA***, 1300-19th Street, N.W., Suite 310, Washington, D.C. 20036 (202/466-8760).

American Land Development Association. . . "Ownership Recreational Vehicle Park and Campground Seminar," San Antonio, Texas, February 10-13, 1982. Details: Jeanette E. Smith, ***ALDA***, 1000-16th Street, N.W., Washington, D.C. 20036 (202/659-4582).

National Association of Home Builders. . . "Reducing Your Cost Through Efficient Production Management," Washington, D.C., February 11-12, 1982. Details: ***NAHB***, 15th and M Streets, N.W., Washington, D.C. 20005 (202/822-0347).

Significant Litigation

Lutul Love, et al. v. *HUD, et al.*, C.A. No. 80-1041 (W.D. Pa., Nov. 4, 1981) (Order)

The District Court has ordered ***HUD*** to ensure that all tenants in §236 and 221(d)(3) BMIR projects in Allegheny County, Pa., be provided notices of proposed evictions which comply with 24 C.F.R. §886.101 *et. seq.* and 24 C.F.R. Part 450, *i.e.* the notice must state the grounds for the proposed eviction and advise the family that it has 10 days within which to respond to the owner. It has also ordered ***HUD*** to: 1) promulgate regulations within 90 days to prohibit unreasonable lease provisions pursuant to 12 U.S.C. §1715z1b(3); and 2) provide a specific procedure for tenants to comment to their landlords and to ***HUD*** as to which lease provisions they believe are unreasonable.

Long Beach Housing Action Coalition, et al. v. *HUD, et al.*, No. 80-04931 WMB (C.D. Cal. filed Nov. 4, 1980)

In this action low-income residents of Long Beach challenged the Department's approval of the City of Long Beach's 1979 and 1980 CDBG applications. Plaintiffs claimed that the activities proposed in the application: (1) did not principally benefit low and moderate income people; (2) caused displacement of low and moderate income residents, which was not ameliorated by the City; and (3) were proposed without adequate citizen participation.

Plaintiffs now have moved to dismiss this case without prejudice, and the District Court has granted their motion. We cannot be sure why plaintiffs dismissed this action, but the probable reason was a reduced budget for this legal services office, and plaintiffs' understanding that the most they could expect from the litigation, even if they prevailed, would be an order directing the City to resubmit parts of its 1979 and 1980 applications which were allegedly not technically complete.

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Hud Newsletter

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Karnes, Fukuda Appointed to High HUD Posts

David K. Karnes of Omaha, Neb., and Robert K. Fukuda, Honolulu, have been appointed to high positions at ***HUD***. Karnes will serve as executive assistant to Under Secretary Donald I. Hovde, and Fukuda will serve as manager of the Honolulu Area Office.

Karnes came to ***HUD*** in July 1981 as a White House Fellow and served as a special assistant to ***HUD*** Secretary Samuel R. Pierce, Jr. He worked as a lawyer with ***Morsman, Fike, Davis and Schumacher*** of Omaha, specializing in real estate, finance and business matters. He worked closely with the private lending and banking industry and became a partner in the firm after five years of employment.

A graduate of the ***University of Nebraska*** (Lincoln), he earned a B.A. in political science in 1971 and the J.D. degree in 1974. He has done post-graduate work at ***New York University*** (New York City) and the ***University of Wisconsin*** (Madison) law schools in tax and business planning. The 33-year-old executive has been recognized in *Outstanding Young Men of America* and *Who's Who in American Business and Finance*.

Under Secretary Hovde said: "Mr. Karnes possesses the business and managerial skills needed to oversee the full range of duties, functions and responsibilities of the Office of the Under Secretary."

As ***HUD's*** top official in its Honolulu field office, Fukuda will be responsible for carrying out the Department's policy and housing and community development programs in Hawaii.

Prior to joining ***HUD,*** the new area manager was engaged in private law practice in Honolulu, specializing in mortgage financing, real estate, land development, and loan documentation relating to ***FHA***-insured and ***VA***-guaranteed home loans. From May 1969 to May 1973, he served as U.S. Attorney in Honolulu, and was actively involved in Federal and State "strike force" activities to investigate and prosecute organized crime in Hawaii.

A former member of the Hawaii House of Representatives (1959-1962), Fukuda also has served as the Deputy Attorney General for the then Territory of Hawaii (1953-1959). During this period he served as counsel on legal matters involving the ***Hawaii Housing Authority*** and the ***Hawaii Housing Commission***. The ***Commission*** was created by the ***U.S. Congress*** to aid construction of low-cost homes for native Hawaiians.

A graduate of the ***University of Hawaii*** (Honolulu), the 59-year-old administrator also has earned a law degree from the ***University of Michigan*** (Ann Arbor). A veteran of World War II, Fukuda served as a Japanese language and intelligence specialist with the ***U.S. Army*** between 1943 and 1946.

HH 1.15/4:

Pierce Adopts Steps to Improve HUD's Accounting Operation

HUD Secretary Samuel R. Pierce, Jr., has announced a series of steps designed to improve the Department's accounting operation. He called the agency a financial organization that must be run in a sound financial and businesslike manner.

Secretary Pierce said the action was being taken in response to audit reports by the *General Accounting Office and HUD's* Office of the Inspector General which were critical of past administrations' accounting systems. *HUD's* Office of Finance and Accounting and the Office of the Inspector General will perform a thorough review of the financial management systems. The objective is to detect and correct internal control weaknesses which leave the agency vulnerable to fraud, waste, abuse and mismanagement. Pierce said, "Implementation of this initiative will insure that HUD has an accounting organization that is not only responsive, but also accountable to management."

Other steps planned to improve accounting procedures include:

- Strengthening the role of the Office of Finance and Accounting to insure that the Department's programs and objectives are adequately supported with modern and responsive accounting systems.

- Updating *HUD's* obsolete and inefficient accounting system by taking advantage of the modern automatic data processing systems and technology utilized by the private sector.

- Designing, documenting and submitting *HUD's* accounting systems to the General Accounting Office for approval.

- Maintaining close oversight of *HUD's* accounting operations by the Office of the Inspector General.

Additional information on the agency's efforts to improve accounting operations is available from Aldo Scalzilli in the Office of Finance and Accounting, Room 3102, 451-7th Street, S.W., Washington, D.C. 20410 (202/755-5105).

HUD Announces Results of its December 1981 Market Survey

Announcing the results of its December 1981 survey of market conditions for fixed-rate level payment home mortgage loans, *HUD* said the survey found the average national secondary market yield to investors for immediate delivery of *HUD/FHA* Section 203(b) home mortgage loans was 15.98 percent. That figure represented a decrease of 145 basis points (the largest month-to-month decrease since June 1980) from the average yield of 17.43 percent on November 1. The December 1 yield was based on an average secondary market price of $97.50 per $100 of the outstanding loan amount for loans made at the 15.50 percent FHA ceiling, effective November 16, 1981. Significant declines in yields were experienced in all regions, *HUD* said, ranging from 117 basis points in the Western region to 167 basis points in the Southeast.

The December survey also found that the national average contract rate quoted by lenders for fixed-rate, 25-to-30 year term conventional first mortgage loans on new homes dropped 110 basis points to 16.95 percent from 18.05 percent the previous month. For sales contracts on existing homes, the average rate declined from 18.05 percent to 17 percent.

HUD said that 93 percent of reporting field offices on December 1 noted that the supply of funds was generally adequate for financing Section 203(b) home mortgages as compared with 91 percent of reporting offices on November 1, 1981.

NAHRO Schedules New Professional Certification Program

The ***National Association of Housing and Redevelopment Officials (NAHRO)*** is scheduled to launch a new professional certification in early 1982 for rehabilitation finance specialists. Tests for rehabilitation construction specialists were given in December 1981.

Robert Maffin, executive director of ***NAHRO***, said: "As the cost of new construction of both single and multifamily housing and even commercial properties continues to soar, growing emphasis is being placed on the rehabilitation of existing homes and buildings which in turn has created an increasing demand for rehabilitation specialists and pressures to establish professional standards for rehab practitioners."

The ***NAHRO*** certification program is designed for experienced rehab practitioners in both construction and finance. Tests in both areas have been developed to objectively measure selected journeyman-level knowledge, skills, and abilities according to Maffin. "It is hoped," he said, "that certification will exercise an increasing influence on the rehabilitation field and ultimately guide personnel practices and related training programs."

The certification is not intended to guarantee that an individual is suitable for employment, ***NAHRO*** said, but it is hoped that certification will instill confidence in the public and other professionals related to the rehabilitation specialist profession. Maffin said the program is intended to establish professional standards that any group, agency, or individual can use to measure professional qualifications of rehabilitation practitioners.

Inquiries regarding the certification program should be addressed to Bill Wise, ***NAHRO***, Suite 404, 2600 Virginia Avenue, N.W., Washington, D.C. 20037 (202/342-7052).

Nuggets

President Ronald Reagan has announced his intention to nominate James Jay Jackson to be a member of the ***Federal Home Loan Bank Board (FHLBB)*** for the remainder of the term expiring June 30, 1982. He would succeed John N. Dalton. Since 1974, Jackson has been executive vice president of the ***Fidelity Savings and Loan Association***, Beaumont, Texas.

The ***National Apartment Association (NAA)*** has elected Robert E. Esrey, a Kansas City, Mo., real estate executive, as its president. Esrey is past president of the ***Institute of Real Estate Management*** of Kansas City. He recently completed a year as president of the ***Real Estate Board of Kansas City*** and has served on the Advisory Council of Managing Agents for the ***National Center for Housing Management***. Marvin Isgur, Houston, was named vice president.

John S. Chase, a member of the ***U.S. Commission of Fine Arts***, has been selected to receive the ***American Institute of Architects'*** *Whitney M. Young Citation* for 1982. The citation is awarded to "an architect or architectually oriented organization in recognition of a significant contribution to social responsibility." Chase is being cited for having "demonstrated a continuing interest in the improvement and advancement of architecture" both as a professional and as a community leader. A Hampton, Va., native, he was the first black to graduate from the ***University of Texas***, Austin, earning an M.A. in architecture in 1952.

Harvard University's Graduate School of Design has scheduled a major conference on "The International Style in Perspective" for April 1982. The conference will be accompanied by an exhibition which will include photographs and models of materials from the *1932 Museum of Modern Art* show, documentation about how the original exhibition was received as it traveled to 11 American museums during 1932 and 1933, and a section about the International Style in the United States. The conference will mark the 50th anniversary of the controversial show.

Significant Litigation

Moten and Johnson v. *Metroplex Management Corp., IHDA and HUD*, No. 81-C-4702 (N.D. Ill., filed Sept. 1, 1981)

Elderly low-income residents of Oak Park and Maywood, Illinois, who have been denied tenancy in a newly constructed Section 8 project, bring suit for $24,000 in damages and declaratory and injunctive relief requiring the owner, the Illinois Housing Development Authority and ***HUD*** to provide due process procedures upon denial of admission. The plaintiffs seek to represent a class of all persons who have applied or will apply for admission to Section 8 New Construction projects in the State of Illinois. Specifically, plaintiffs request an order requiring establishment of admission criteria, written notice of the criteria not satisfied and the right to appeal, and a hearing with an impartial decisionmaker.

Mandalay Shores Cooperative Housing Assn. v. *HUD*, C.A. No. 81-547 (Bankruptcy Ct.) (M.D. Fla., August 5, 1981) (Order of Dismissal)

The Bankruptcy Court dismissed the complaint brought by a nonprofit tenants' cooperative association who are seeking to compel ***HUD*** to sell to it Mandalay Shores, a ***HUD***-owned project in which its members reside. Plaintiff had brought this action to enjoin ***HUD*** from proceeding with the bid opening on the sale of the project pursuant to ***HUD's*** property disposition analysis. Plaintiff alleged that by selling the project to others, ***HUD*** violated the *National Housing Act* by failing to provide a decent home and a suitable living environment for its members and violated its duty to maintain the project in a decent, safe, and sanitary condition.

The Bankruptcy Court, after hearing oral argument, initially ruled that it had jurisdiction and that plaintiff was not estopped from bringing this action by virtue of its litigation in other cases. The court, therefore, denied ***HUD's*** motion to dismiss. However, in a later order, the court held that the complaint fails to demonstrate *any* injury to plaintiff, a corporate debtor. The court dismissed the complaint, stating that "it is clear that this is just one other way in which this corporate debtor seeks to thwart the efforts of ***HUD*** to sell this property." Plaintiff has petitioned the court for a rehearing of its order dismissing the complaint.

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Hud Newsletter

GNMA Announces Date for Project Auction

The ***Government National Mortgage Association (GNMA)*** has announced that it will offer for sale by auction approximately $508 million of ***FHA***-insured project mortgages on Wednesday, February 24, 1982.

The mortgages were acquired by the ***GNMA*** in the operations of its Program 23 (Emergency Home Purchase Assistance Act) and Program 25 (Section 8 Tandem) and pay insurance benefits in cash. The sale will be conducted for the ***GNMA*** by the ***Federal National Mortgage Association (FNMA)*** under procedures, terms, and conditions described in the bidding invitation to be issued within the next few days. The auction will be the third of six bi-monthly sales to be held in this fiscal year.

For additional information on the auction, contact R. Frederick Taylor, executive vice president, ***GNMA***, 451-7th Street, S.W., Washington, D.C., 20410 (202/755-5926).

Housing Commission Schedules Two Meetings in February

The ***President's Commission on Housing*** has tentatively scheduled two meetings for February 1982. Both meetings will involve the full ***Commission*** and both will be held in Room 2008 of the New Executive Office Building in Washington, D C., on February 16 and 26.

The ***Commission*** said that all meetings are open to the public but that those planning to attend should call to confirm dates, location and time for each meeting. That information may be obtained from Jean M. Freeze, 730 Jackson Place, N.W., Washington, D.C. 20503 (202/395-5832).

HUD Comes to the Aid of California Mudslide Victims

HUD Secretary Samuel R. Pierce, Jr., has offered emergency housing relief to victims of the recent California mudslides following a disaster declaration by President Ronald Reagan. Pierce directed an all-out effort by ***HUD's*** San Francisco offices to provide temporary shelter in vacant ***HUD***-owned homes and apartments.

HUD also ordered a complete inventory of single-family homes and vacant apartments to determine the number to be made available on an accelerated basis through the coordinated efforts of the ***Federal Emergency Management Agency (FEMA)*** and ***HUD's*** field staff. The ***Department*** also pledged its support to house disaster-stricken families as long as useable ***HUD***-owned properties and other resources are available and said that appropriate Federal, State and local agencies and elected officials have been notified of its offer of temporary housing.

The mudslides destroyed or heavily damaged homes in parts of Contra Costa, Marin, San Mateo, Santa Cruz and Sonoma counties.

HH 1. 15/4:

HUD Allocates Funds to Aid Homeowners

HUD Secretary Samuel R. Pierce, Jr., has announced the allocation of $24,375,000 in funding authority under the ***Department's*** Section 235 program to help pay the interest on mortgages obtained by eligible families purchasing new homes. He said the move "will not only help thousands of families fulfill their dream of homeownership, but also provide work for thousands of others employed in the Nation's building industry."

The latest allocation brings to $52,875,000 the amount of special home buyer assistance offered by the ***Department*** since October 27, 1981. On that date, a $28.5 million allocation was made which offered opportunities for homeownership to some 7,600 low- and moderate-income families across the country. Eligible families are those whose adjusted income does not exceed 95 percent of the median income in their localities, with adjustments as determined by the Secretary for areas with high housing costs.

HUD insures mortgages and makes monthly payments to lenders to help reduce interest to as low as 8.00 percent under its Section 235 program. Eligible families, for the most part, must contribute 20 percent of their adjusted income to monthly mortgage payments and must make a 3 percent downpayment on the cost of the home. The ***HUD*** payments on mortgages now being insured are in the form of a loan which the family must repay, at least in part, if the value of the property has increased when it is sold or rented for an extended period.

The maximum mortgage limit for homes purchased under the 235 program is $40,000, except in high-cost areas, where the limit is $47,500. In addition, both of these limits can be increased by $7,500 for homes with four or more bedrooms to be occupied by five or more people.

Assistant Secretary for Housing-Federal Housing Commissioner Philip Winn said the funding is available from unneeded reserves as a result of the recent interest rate decrease, and because a number of earlier fund reservations expired when construction failed to get underway within the allowed six-month period. "Timing," Winn emphasized, "is essential. The building industry must be notified immediately of the availability of additional Section 235 units and urged not to request unit allocations unless it is reasonable to expect sales can be contracted and buyers approved by ***HUD*** before March 31." The funding authority is to be allocated on a "fair share" basis to ***HUD*** field offices which must obligate the funds to meet the March 31, 1982 commitment deadline imposed by the *Housing and Community Development Amendments of 1981*.

Magazine Spotlights 'Cities and the Arts'

The January 1982 issue of the *American Arts Magazine* highlighted a coast-to-coast movement now underway which it said will merge the arts and community development in a way that benefits every sector of society.

The issue featured a series of articles on cities from Pittsburgh to St. Louis and from Seattle to Cape Cod, where city officials, corporate leaders, and arts professionals are joining forces, and said the merger of art and community development "is breathing new life into the communities' cultural programs while bringing new dollars to their economies."

The magazine contained a profile of five cities where cultural planning has become vital to city life – Pittsburgh, Danbury, St. Louis, Seattle, and Indianapolis. It said that while each city's story is unique, a common theme unites them – the recognition that a visible arts community, integrated into all facets of city life and sustained by public and private support, is a major source of revenue and growth.

Copies of the publication are available from the ***American Council for the Arts***, 570 Seventh Avenue, New York, N.Y., 10018 (212/354-6655).

Significant Litigation

United States of America and NAACP v. *City of Yonkers, et al., and HUD*, No. 80 CIV 6761 (S.D. N.Y.)

On December 1, 1980 the Civil Rights Division of the Department of Justice (DOJ) on behalf of the United States filed a complaint against the City of Yonkers, the Yonkers Board of Education, and the Yonkers Community Development Agency. DOJ alleged that the City and the Board of Education has intentionally designed to segregate the Yonkers school system, in violation of Titles IV and VI of the *Civil Rights Act of 1964*, and the 14th Amendment to the *U.S. Constitution*. In addition, DOJ alleged that the City of Yonkers and the Community Development Agency had violated Title VIII of the *Civil Rights Act of 1968* and the 14th Amendment by intentionally selecting sites for public and subsidized housing virtually exclusively in the western portion of Yonkers, in or adjacent to areas of minority racial concentration.

On March 4, 1981 the NAACP moved to intervene as a plaintiff. Its complaint made essentially the same allegations and claims that DOJ did, except for adding claims under 42 U.S.C. 1981 and 1983, and the 13th Amendment. On June 29, 1981 the Court denied various preliminary motions raised by defendants, and granted NAACP's motion to intervene.

On August 7, 1981 defendants City of Yonkers and the Community Development Agency filed a third party complaint against ***HUD***. They alleged that in selecting sites for public and subsidized housing they acted in full reliance on ***HUD***, which had to approve the sites as nondiscriminatory. Defendants claimed that if DOJ or NAACP obtained a judgment that defendants violated Title VIII or the 14th Amendment in their selection of the sites for public and subsidized housing, then ***HUD***, which had to insure the nondiscriminatory selection of those sites, was liable over to the defendants.

On December 14, 1981, DOJ amended its complaint to change its claim against the City and the Community Development Agency to allege that defendants violated those provisions by refusing to permit the location of public and subsidized housing in the predominantly non-impacted eastern portion of Yonkers.

On December 18, 1981, the NAACP sought leave of Court to file an amended complaint to include ***HUD*** as a defendant. The proposed amended complaint alleges that ***HUD*** has funded and intentionally supported Yonkers' segregative housing practices and policies, in violation of Title VI of the *Civil Rights Act of 1964*, Title VIII of the *Civil Rights Act of 1968*, and the 5th Amendment to the *U.S. Constitution*. In addition, the NAACP alleges that ***HUD*** violated Title VIII by continuing to provide CDBG funds to Yonkers despite its failure to build low and moderate income housing in East Yonkers, and by failing to make available Federal funds for the construction of new family housing in East Yonkers for Fiscal Years 1980-1981.

The NAACP requests preliminary injunctive relief to enjoin ***HUD*** (1) from funding the development of any additional housing in Southwest Yonkers; and (2) from committing its Fiscal Year 1982 appropriation for Section 8 New or Substantial Rehabilitation Housing in a way which would "foreclose or make less likely" the availability of such funding for at least 200 units of Section 8 housing in East Yonkers.

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The National Housing Rehabilitation Association (NHRA). . . . "Urban Ventures School: Managing a Profitable Rehabilitation Business," Portland, Ore., February 8-10, 1982. Details: ***NHRA,*** 1300-19th Street, N.W., Washington, D.C., 20036, Suite 310 (202/466-8760).

American Bankers Association (ABA). . . . Workshop on "Bank Investments and Financial Marketing," San Francisco, Calif., February 10-12, 1982. Details: ***ABA,*** Judy Bracking, 1120 Connecticut Avenue, Washington, D.C., 20036, (202/467-4086).

American Land Development Association (ALDA). . . . "The 1982 Ownership R.V. Park and Campground Seminar and Exposition," San Antonio, Texas, February 10-13, 1982. Details: ***ALDA,*** 604 Solar Building, 1000-16th Street, N.W., Washington, D.C., 20036, (202/659-4582).

National Association of Home Builders (NAHB). . . . Seminar on "New Profits in New Residential Condos," Houston, Texas, February 15-16, 1982. Details: ***NAHB,*** 15th & M Streets, N.W., Washington, D.C., 20005, (202/822-0347).

Government Information Services (GIS). . . . "Protecting Your General Revenue Sharing Dollars" and "Alternative Funding for the 1980's: Tapping the Private Sector," San Francisco, Calif., February 16-17, 1982. Details: ***GIS,*** 1611 North Kent Street, Suite 508, Arlington, Va., 22209 (703/529-1082).

Community Associations Institute (CAI). . . . "Professional Management Development Program," Newport Beach, Calif., February 19-21, 1982. Details: ***CAI,*** 3000 South Eads Street, Arlington, Va., 22202, (703/548-8600).

Government National Mortgage Association (GNMA). . . . "Mortgage Auction, Multifamily Project," Washington, D.C., February 24, 1982. Details: ***GNMA,*** 451-7th Street, S.W., Washington, D.C., 20410 (202/755-5926).

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Hud Newsletter

HUD Clearinghouse to Help Communities Build Affordable Housing

HUD Secretary Samuel R. Pierce, Jr., recently announced an expansion of a smaller project designed to demonstrate "that housing costs can be reduced significantly simply by speeding up processing time and allowing minor changes in local zoning ordinances, subdivision regulations, and building codes." Secretary Pierce said the early demonstrations reported substantial savings without reducing quality or safety.

The expanded program, called the Joint Venture for Affordable Housing (JVAH), is a collective effort among public and private-sector groups who share a commitment to the creation of more affordable housing and are linked through a series of coordinated projects and activities. The initial participants include the ***National Association of Home Builders (NAHB)*** the ***National Association of Counties (NACo)***, the ***International City Management Association (ICMA)***, and the ***Council of State Community Affairs Agencies (COSCAA)***. These groups will work with local builders and community officials in 10 to 15 communities to reduce production costs.

To date, 11 communities have been selected to participate in the joint venture. They include Ann Arbor, Mich., Broward County/Coral Springs, Fla., Birmingham, Ala., Lincoln, Neb., Manchester, N.H., Phoenix, Ariz., Riverside, Calif., San Diego, Calif., Tulsa, Okla., Wichita, Kan., and Everett, Wash. Ten other cities which will receive direct technical assistance to aid them in developing a system for regulatory and processing reform will be selected later.

Emphasizing the importance of the project, Secretary Pierce noted that about 90 percent of the Nation's renters cannot afford to buy a home because of high costs. He said that this is especially true of young people, and added that he believes "homeownership is still the American dream," and programs such as the JVAH can help reduce the cost of housing by as much as 20 to 30 percent.

The JVAH is the outcome of a Task Force on Affordable Housing created by Secretary Pierce last summer and chaired by Under Secretary Donald I. Hovde. It involves five major elements in the development process – builders, communities, counties, States and the Federal Government – linked through a series of coordinated activities. The Task Force recognized that there is no single answer or solution to reducing housing costs, and that providing affordable housing at the local level is primarily an issue of deregulation and streamlining processing.

Hovde said that "some communities have already produced substantial housing production cost reduction, principally by modifying or eliminating unnecessary regulations." He said the purpose of the JVAH "is to encourage similar activities on a broad scale by collecting and reporting such experience and by generating related demonstration projects." The Under Secretary said that while no single organization can solve the problem of affordable housing, the various actors involved each have a role to play. **"*HUD's*** part," he said, "is to help coordinate activities and to provide some initial support to get new ideas started." He said the agency will help by providing leadership and incentives as well as technical assistance to participants.

HH 1.15/4:

HUD estimates that the costs of the JVAH effort will be small. Current grants to JVAH groups total less than $1 million. No Federal grants will go directly to the communities involved.

In addition to its clearinghouse role, ***HUD*** has been taking steps to reduce its own barriers to housing affordability. Examples of actions to minimize the negative impact on affordability include the following:

- *Minimum Property Standards* – ***HUD*** proposes to phase out its minimum property standards and rely on model codes or their equivalent in use by most local officials. This will free builders and designers from a double standard, and the costs and delays that are now caused by differing Federal and local codes.

- *Processing Building Plans* – ***HUD*** now permits qualified builders, licensed engineers, and registered architects to certify compliance of their housing with single-family minimum property standards. This frees such housing from ***FHA*** plan reviews and construction inspections and thus saves builder holder costs by eliminating ***FHA*** processing delays.

- *Processing Land Development Plans* – ***HUD*** is proposing to eliminate 100 pages or about 65 percent of its environmental regulations. The ***Department*** is also considering eliminating the Environmental Impact Statement (EIS) requirement for all projects of 2,500 or fewer units.

- *Manufactured Housing* – ***HUD*** is proposing to return the manufactured housing construction standards to the private sector for future updatings and to make selected manufactured housing eligible for the lower- and longer-term mortgage insurance that previously was available only to site-built housing.

- *Handicap Accessibility* – ***HUD's*** regulations on housing for the handicapped are being reduced from 178 to 15 pages and the ***Department*** will rely on the local community to determine what need there is for housing designed for the handicapped, including that for the elderly.

The bulk of the projects just announced by ***HUD*** will involve the ***National Association of Home Builders***. The ***NAHB*** will conduct demonstrations to reduce housing production costs by linking local authorities with the builder/developer during the planning, processing and construction phases of a housing development. The ***NAHB Research Foundation*** will document the cost of savings techniques used in the demonstration projects, and will prepare a comprehensive report on the various measures and resulting savings which will be made available to local governments and builders.

The ***International City Management Association*** will assist city and county managers in addressing housing affordability by focusing on opportunities for conservation of existing structures, rehabilitation and reuse of older buildings, and infrastructure savings through infill projects and modifications to subdivision ordinances affecting roads and utility systems. Five communities in Brattleboro, Vt., Cleveland Heights, Ohio, Fort Collins, Colo., Phoenix, Ariz., and Salinas, Calif., have already had success in these areas and information on how they reduced costs will be disseminated to other localities.

The ***National Association of Counties*** will provide information to local officials about strategies that can be helpful in overcoming opposition to regulatory and administrative changes that are necessary to produce affordable housing. The ***Association*** has a network of some 2,000 member counties.

The ***Council of State Community Affairs Agencies*** will compile an inventory of State actions to promote housing affordability. The inventory will be published and made available to States and builders for use in identifying successful strategies.

FNMA Reports Net Loss for 1981

The ***Federal National Mortgage Association (FNMA)*** recently reported a net loss for 1981 of $109.4 million, or $3.22 per share, fully diluted, compared with a net income of $14.2 million, or $0.23 per share, fully diluted, in 1980. The net loss for the fourth quarter of 1981 was $70.7 million, or $1.20 per share, fully diluted, compared with a net loss of $79.5 million, or $1.34 per share in the third quarter and a net income of $.7 million, or 1 cent per share in the fourth quarter of 1980.

David O. Maxwell, chairman of the ***FNMA,*** said "fees associated with the issuance of the ***Association's*** new conventional mortgage-backed securities (CMBS) contributed significantly to the quarter-to-quarter improvement in income. The corporation issued $3.3 billion in CMBS commitments during the quarter and earned $19.9 million in commitment fees.

The loss of ***FNMA's*** mortgage portfolio in 1981 was $484.8 million, compared with a loss of $41.7 million in 1980. The portfolio loss was $194.0 million in the fourth quarter of 1981, compared with a loss of $187.7 million in the previous quarter and a loss of $11.7 million in the fourth quarter of 1980.

FYI

Congressional Quarterly. . . Seminar on "Congress and the Legislative Process," Washington, D.C., February 17, 1982. Details: *CQ*, 1414-22nd Street, N.W., Washington, D.C. (202/887-8620).

Congressional Quarterly. . . Seminar on "The Congressional Budget Process," Washington, D.C. February 18, 1982. Details: *CQ*, 1414-22nd Street, N.W., Washington, D.C. (202/887-8620).

National Savings and Loan League (NSLL). . . "Governmental Affairs Conference," Washington, D.C. February 21-24, 1982. Details: Sandy Grimes, ***NSLL,*** Suite 400, 1101-15th Street, N.W., Washington, D.C. (202/331-0270).

Government Information Services (GIS). . . "Alternative Funding for the 1980's" and "Protecting Your General Revenue Sharing Dollars," Washington, D.C., February 25-26, 1982. Details: ***GIS,*** 1611 North Kent Street, Suite 508, Arlington, Va., 22209 (703/528-1082).

Institute of Financial Education, U.S. League of Savings Associations (USL). . . "Basic Income Property Lending." Gainesville, Fla., February 21-26, 1982. Details: ***USL,*** 111 East Wacker Drive, Chicago, Ill., 60601 (312/644-3100).

Community Associations Institute (CAI). . . "Professional Management Development Program," Washington, D.C., February 26-28, 1982. Details: ***CAI,*** 3000 Eads Street, Arlington, Va., 22202 (703/548-8600).

National Rural Fellows (NRF). . . "Training Fellowship in Rural Development," application for third fellowship year, which runs between July 1982 and August 1983, are due by February 19, 1982. Details: Starry Krueger, ***NRF,*** 1775 Broadway, 22nd Floor, New York, N.Y. 10019 (212/541-5711).

National Association of Home Builders (NAHB). . . Seminar on "Density Development: Making It Work," Atlanta, Ga., February 25-26, 1982. Details: ***NAHB,*** 15th and M Streets, N.W., Washington, D.C. 20005 (202/822-0347).

American Bankers Association (ABA). . . "Education and Training Forum," Atlanta, Ga., February 28-March 3, 1982. Details: ***ABA,*** 1120 Connecticut Avenue, N.W., Washington, D.C. 20036 (202/467-4000).

Significant Litigation

Doris Brown, et al., v. *Pierce, et al.*, C.A. No. 79-0596 WAI (N.D. Calif., filed March 21, 1979)

Irene Simmons, et al., v. *Pierce, et al.*, C.A. No. 79-0691 LHB (N.D. Calif., filed March 21, 1979)

By stipulation of the parties, the court has dismissed these actions with prejudice. These cases were brought by Section 8 Existing Housing tenants against ***HUD***, the Housing Authorities of Monterey and Santa Clara, California, and owners challenging the legality of the owners' attempt to evict them on grounds that the evictions violated the tenants' due process rights and the Section 8 statute. Plaintiffs claimed that 24 C.F.R. 882.215 was contrary to 42 U.S.C. 1437f(d)(1)(B), in that the regulation failed to require the PHA to issue the notice to vacate. Plaintiffs also contended that the PHA's administrative plans violated plaintiffs' right to due process under the Fifth and Fourteenth Amendments to the *U.S. Constitution* and the Section 8 statute because the plans failed to provide for good cause and an informal hearing before the PHA approved the owners' proposed evictions.

In February 1980 the court granted plaintiffs' motion for partial summary judgment and enjoined ***HUD*** and the PHA's from following the Section 822.215 eviction procedures. ***HUD*** issued a substitute notice to vacate procedures to these two PHA's requiring them to issue the notice to vacate to tenants.

Plaintiffs recently decided to dismiss ***HUD*** and settle the good cause and informal hearing claims against the other defendants in light of the August 1981 amendment to 42 U.S.C. 1437(d)(1)(B). That amendment eliminates PHA involvement in the eviction of Section 8 Existing Housing tenants who enter into post October 1981 leases but requires owners to evict tenants only for good cause.

The ***Superintendent of Documents***, U.S. Government Printing Office, has notified ***HUD*** that the cost of a yearly subscription to the ***HUD Newsletter*** has been raised to $44.00, domestic rates, and $55.00, foreign rates. The increases are effective immediately and apply to new and renewed subscriptions. Subscription matters should be addressed to the ***Superintendent of Documents***, Government Printing Office, Washington, D.C. 20402.

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Hud Newsletter

HUD Hikes FHA Rate for Single-Family Homes

HUD Assistant Secretary-Federal Housing Commissioner Philip Winn recently announced a 1 percent increase in the maximum allowable interest rate for ***FHA*** single-family insured mortgages. He called the increase a technical adjustment to the market. The new allowable rate for both the level-payment and the graduated payment mortgages (GPM) will be 16.5 percent, up from 15.5 percent.

Assistant Secretary Winn said the move was necessary to maintain the availability of ***FHA***-insured mortgages, with their more favorable terms. He said that "Lenders are reluctant to make mortgage loans, based on current allowable ***FHA*** rates. In addition, the high number of points being charged for these mortgages, especially for GPM's, is causing a serious hardship for sellers of homes. Furthermore, we have a statutory mandate to keep discount points to a minimum."

A weekly poll of the 30 largest mortgage banking companies showed that the discount charged at the time for the level-payment mortgage was 6 or 7 points and 9 to 10 points for GPM's. Assistant Secretary Winn said the large number of points for the GPM's is especially hard on first-time buyers for whom the program was created. "Unless we bring these down to a reasonable level," he said, "young families just starting out will have to wait longer than they had hoped to own their own home."

Military to Use Manufactured Homes in Demonstration Project

A landmark demonstration project designed to test the use of manufactured homes as military family housing is being planned for California. Congress has authorized $11 million for installation of 200 manufactured homes at the newly activated ***Army National Training Center*** at Fort Irwin, Calif. The project includes an additional $21 million for the construction of 254 units of site-built housing at the Fort.

The two types of housing being planned will enable the ***Department of Defense*** to compare the performance of each type under identical circumstances and life-cycles. Meanwhile, the Secretary of Defense is developing a manufactured home military family housing code that is compatible with the *Federal Manufactured Home Construction and Safety Standards*.

The military estimates that housing costs have escalated so that it now costs about $78,000 per unit of new construction for military family housing. Experts say that the use of manufactured housing will reduce that cost and at the same time alleviate a shortage of military family housing that has been a primary cause for the loss of experienced military personnel.

Walter L. Benning, president of the ***Manufactured Housing Institute (MHI)***, called the demonstration project "a giant leap forward towards making housing more affordable and attainable for military families, and for all Americans. He said that the ***MHI*** believes the project will prove "once and for all that today's manufactured home stacks up to site-built houses in every aspect, except the price." Benning said the ***MHI*** will work closely with the ***Army Corps of Engineers*** in building the homes and developing standards.

HH 1.15/4:

Nuggets

Dr. Jack Carlson, chief economist and executive vice president of the ***National Association of Realtors (NAR),*** has predicted the return of the long-term, fixed-rate mortgage. In recent years, fixed-rate mortgages have given way to variable rate mortgages in what is generally known as the era of "creative financing." Says Dr. Carlson: "Even if the mortgage instrument is called something else, interest rates will remain constant for the life of the mortgage, if the economy stabilizes."

The ***National Association of Realtors (NAR)*** reports that sales of existing houses fell 19 percent last year, but started an upturn as the year came to an end. The ***NAR's*** preliminary figures indicated total sales of some 2.35 million homes during 1981, the lowest tally since the 1974-1975 recession. The median price for sales of existing homes last year rose to about $66,900, up 6.8 percent from 1980, the ***NAR*** said.

The ***Department of Commerce*** reports that housing starts dipped to the lowest level in 35 years during 1981. Last year's housing starts were estimated at 1,086,600, down 16 percent from 1,292,200 units started in 1980. The level for 1981 was the lowest since 1946 when about 1,050,000 units were started. The ***Department*** reported, however, that starts for December 1981 rose 13.3 percent from the previous month. Some housing experts suggest that the end-of-the-year upturn was due in part to a downturn in interest rates, and warn that a rise in interest rates could cause housing starts to decline again.

The ***International Labor Organization*** reports that America has the world's shortest workweek – an average of 35.6 hours. The ***ILO*** said that "the overwhelming majority of the world's workers exceeds 40 hours. The average workweek is 41.2 hours in France, 41.9 hours in West Germany, 40.7 hours in Japan and 44 hours for male workers in Britain. Switzerland has the longest workweek in the Western world, averaging 44.5 hours. Egypt has the longest workweek – 56 hours – in the world, according to the ***ILO,*** with South Korea's 50.5 hours the second longest.

The ***U.S. Supreme Court*** has agreed to consider whether federally chartered savings and loan associations may force homeowners to pay off their total mortgage rather than let another buyer assume their loan. The decision from the ***Supreme Court*** could settle two primary questions: the legality of so-called "due-on-sale" clauses that have been in vogue for nearly a decade and the question of who has ultimate authority over S&L's with Federal charters – the States or the ***Federal Home Loan Bank Board***? At issue is the question of whether the ***FHLBB*** approval of due-on-sale clauses can be invalidated by State laws. The controversial clauses permit S&L's and other lenders to force buyers to pay mortgages in full when they sell their homes. This prevents the buyer from assuming the seller's loan at a lower interest rate.

The ***American Natural Resources Company*** of Detroit and ***Energy Conversion Devices, Inc.,*** have formed a joint venture to develop devices to convert waste heat directly into electricity. The companies will develop thermoelectric product technology. One project will use the waste heat from an auto engine to produce electricity and thereby conserve gasoline. Another would use the heat from pumps installed on pipelines to run the pumps electrically.

The ***U.S. Department of Agriculture*** has announced that it is prepared to extend special assistance to selected farmers who are in danger of going bankrupt. The loans will go to farmers who can find no other source of credit, the ***Farmers Home Administration*** said. The ***FmHA*** also will guarantee loans to eligible farmers from commercial banks for emergency needs.

The *Wall Street Journal* reports that the Nation's homeowners and businesses "are breezing through the widespread cold wave with few heating oil supply problems." Stocks of heating oil are overflowing, the *Journal* said, noting that some prices have dropped since extremely cold temperatures invaded much of the country recently. Dealers report that demand for fuel oil is about 20 percent below the demand at this time last year. They speculate that this is due to users' efforts to conserve fuel, conversions by many homeowners to gas heat, and the general impact of the recession.

In New York City, a tenant group has sued the city in an attempt to halt "arbitrary" rent increases in city-owned buildings not covered by rent control. The tenant organization, the ***Union of City Tenants,*** has charged the city with doubling and tripling rents in some cases. It contends that the city has denied due-process rights to its members whom it says are persons "least able to afford rising rents."

Assistant Secretary Winn Resigns HUD Post

Philip Winn, Assistant Secretary for Housing and Federal Housing Commissioner, has resigned his ***HUD*** position effective March 10, 1982. HUD Secretary Samuel R. Pierce, Jr., announced the resignation "with deep regret."

In his letter to President Ronald Reagan, Assistant Secretary Winn said he was taking the action "after thoughtful consideration. Serving you and the American people for the past year has been the greatest honor of my life. I regret leaving this administration, but firmly believe that we have set an irreversible course in the Office of Housing within the ***Department of Housing and Urban Development*** which totally conforms to your policies and direction."

Winn said in a letter to Secretary Pierce: "The accomplishments of this agency have been outstanding this past year, and all of this is to your credit." Saying that he would make an official statement about his future plans at a later date, Assistant Secretary Winn indicated that those plans would be centered in his home State of Colorado.

"Phil Winn has given a year of dedicated service to ***HUD,***" Secretary Pierce said. "I personally appreciate his efforts in carrying us through a difficult period of transition. He has helped put us on the right course and I am thankful for that. While we at ***HUD*** will miss working with Phil on a day-to-day basis, we expect to take advantage of his kind offer of help when needed. We wish him well in whatever endeavor he undertakes in the future."

As Assistant Secretary for Housing-Federal Housing Commissioner, Winn directs the housing programs and functions at ***HUD,*** including the production, financing, insurance and management of Government-assisted housing as well as the preservation and rehabilitation of the Nation's housing stock. He also oversees the Government-backed housing insurance programs of the ***Federal Housing Administration (FHA).***

FYI

U.S. League of Savings Associations (USL). . . "Low-Yielding Mortgages Seminar," Atlanta, Ga., March 1, 1982. Details: ***USL,*** 111 East Wacker Drive, Chicago, Ill., 60601 (312/644-3100).

Community Rehabilitation Training Center (CRTC). . . Course on "Specification Writing for Rehabilitation," Louisville, Ky., March 1-4, 1982: Details on other courses through April are available from the ***CRTC,*** 4340 East-West Highway, Suite 900, Bethesda, Md., 20814 (301/654-9300).

Center for Public Management (CPM). . . "Accounting for Federal Grants and Contracts," New Orleans, La., March 8-10, 1982. Details: ***CPM,*** 12713 Steeple Chase Way, Potomac, Md., 20854 (301/340-1610).

American Management Associations (AMA). . . "How to Recruit, Hire and Fire to Comply With EEO Laws and Affirmative Action Guidelines," Washington, D.C., March 15-17, 1982. Details: ***AMA,*** 135 West 50th Street, New York, N.Y. 10020 (212/245-0800).

World Computer Graphics Association, Inc. (WCGA). . . an international conference on "Computers/Graphics in the Building Process," Washington, D.C., March 22-26, 1982. Details: ***WCGA,*** 2033 M Street, N.W., Suite 250, Washington, D.C., 20036 (202/775-9556).

Harvard University Graduate School of Design (GSD). . . a lecture on "Design and Community," Cambridge, Mass., March 23, 1982. Details: ***GSD,*** Gund Hall, 48 Quincy Street, Cambridge, Mass., 02138 (617/495-5864).

Significant Litigation

Mandulay Shores Cooperative Housing Assn., Inc. et al. v. ***HUD, et al.***, No. 81-547, Adv. Nos. 81281, 81-0294 (U.S. Bkrptcy Ct., M.D. Fla., Dec. 14, 1981) (Order of Dismissal)

The U.S. Bankruptcy Court dismissed these two adversary actions by a tenant cooperative association which had sought to compel ***HUD*** to sell a Secretary-owned property to it as a tenant cooperative. In the first action, Adv. No. 81-281, MSCHA alleged deficiencies in the building's condition and claimed that ***HUD*** had duties enforceable under the Housing Acts and the ***Clean Air Act***. In the second action, Adv. No. 81-0294, MSCHA and two named tenants sought, *inter alia*, a declaration that ***HUD*** is required to maintain the project in "decent, safe, and sanitary condition" and sought to enjoin ***HUD*** from selling the project.

The Bankruptcy Court, treating the two actions as a whole, recognized that all the various claims set forth by MSCHA reiterated claims already brought and dismissed by other District Courts and stated that "the complaint. . . is still based upon the ultimate proposition that the Secretary has no right to sell the project to the highest bidder and must sell the complex to the Plaintiffs." Recognizing that it lacked jurisdiction and that identical claims had been presented and rejected by two District Courts and were now on appeal, the Bankruptcy Court dismissed the two complaints without prejudice based on the doctrine of abstention.

Elvia McDaniel, et al. v. *HUD, et al.*, C.A. No. 13-80-165 (S.D. Texas, filed July 18, 1980) (Order of Dismissal)

By stipulation, the District Court has dismissed this action with prejudice. Section 8 New Construction tenants alleged that their landlord attempted to evict them without good cause and notice of their right to object to the eviction action. The stipulation requires the owner to provide tenants with notices of proposed evictions that are written in both English and Spanish and with limited informal hearings before evicting them. It does not require any action by ***HUD*** and is subject to being superseded by future conflicting ***HUD*** requirements.

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Hud Newsletter

HUD Study Documents Benefits of Urban Development Action Grant Program

A recently released study by ***HUD*** shows that the effort of the Federal Government to aid distressed cities has produced short-term and long-term benefits by attracting new private investment and by creating new private-sector jobs. ***HUD*** Secretary Samuel R. Pierce, Jr., said the comprehensive study clearly establishes that the Urban Development Action Grant (UDAG) program is a solid, worthwhile effort.

At the ***HUD*** Secretary's request, the UDAG program was examined over a six-month period to determine if it was an effective use of Federal resources. The review was conducted by Dr. E.S. Savas, Assistant Secretary for Policy Development and Research (PD&R), and examined 80 sample UDAG projects in 70 cities. Researchers studied ***HUD*** files, inspected sites, and interviewed key private-sector and local officials involved in the sample projects. They also consulted with key real estate finance and development experts.

Late last year, Secretary Pierce used the preliminary results of the study to make a recommendation to President Ronald Reagan that the program be continued. "It perhaps falls short of being what some of its strongest advocates believe it to be," he said, "but it is an effective and proven asset in our efforts to help America's cities." His recommendation for continuation of UDAG included modifications to strengthen and improve the program, and he directed Stephen J. Bollinger, Assistant Secretary for Community Planning and Development, to correct deficiencies which have kept the program from greater success.

This will include measures to:

* prevent funding for projects which could have been developed without UDAG assistance. According to the study, a small number of projects could have been undertaken without ***HUD*** funding. Therefore, steps will be taken to require better documentation that private funds are unavailable, and that all other public sources have been exhausted.

* keep the amount of UDAG funds to the minimum required to spark the project. Actions to reduce the UDAG subsidy will include elimination of activities not directly related to the development project, and requiring more detailed development and operating cost projections from applicants, and hard evidence of local market conditions.

* improve the chance of success for approved projects. Discrepancies between ***HUD*** headquarters and ***HUD*** area office evaluations will be reconciled before project selection, and actions will be taken to improve UDAG staff ability to assess economic feasibility, and calculate more accurately the project benefit in terms of jobs created, new taxes generated, and actual investment.

The UDAG program is designed to provide a small amount of ***HUD*** funds to a distressed city or county if a private business or developer will spend a significantly larger amount for a project which otherwise would not be undertaken. Over the life of the program, it has stimulated about $6.00 of private investment for every $1.00 of UDAG funds, and created or retained several hundred thousand new jobs in the private sector.

HH 1.15/4:

AIA Supports 'Affordable Housing' Program

Robert M. Lawrence, president of the ***American Institute of Architects (AIA)***, said that his organization "shares the quest of homebuilders to provide all Americans with quality affordable housing and recognizes homeownership as one of the cornerstones of a way of life that is the envy of the rest of the world." The ***AIA*** head said "America's homebuilders must learn the new rules, and learn those rules quickly if they are to continue winning the housing game. He said that builders have at least three resources within their reach that can help turn around "the current dark state of affairs" in housing, and listed those resources as:

* the pent-up demand of Americans from all walks of life to have their own home;

* the ability of homebuilders to skillfully provide an affordable quality product; and

* the design skills of America's architects.

"Architects are trained to work with and through the roughest constraints, including those now facing the housing industry," Lawrence said. "They are trained to deliver quality over size and quantity. . . factoring design into the homebuilding equation can give the individual homebuilder a design edge in a fiercely competitive market," he added. He described the range of services architects offer in designing offices, providing special barrier-free design features and designing multifamily dwellings. "That same experience," he said, "can be directed to providing detached housing for singles and unmarried couples, as well as meeting the needs of the increasing number of parents and children living together. Lawrence said he does not see a lessening of the codes and standards that affect a broad range of homebuilders' concerns such as worker safety, land use and life safety.

Saying that potential home buyers will demand assurances that "running their homes will not drive them into the poor house," Lawrence challenged homebuilders to join architects in their "quest to be at the cutting edge of the building industry" during the ***AIA's*** 125th anniversary year.

HUD recently announced an expansion of its affordable housing program into what is now called the Joint Venture for Affordable Housing (JVAH), a collective effort of public and private-sector groups sharing a commitment to the creation of affordable housing. The initial participants include the ***National Association of Home Builders***, the ***National Association of Counties***, the ***International City Management Association***, and the ***Council of State Community Affairs Agencies***. See *HUD Newsletter*, Volume 13, Number 7, February 15, 1982.

HUD Publishes Book on the 'Affordable Community'

HUD recently released a new report on growth issues prepared by the ***Urban Land Institute (ULI)***. The 113-page document is the report of the ***Council on Development Choices for the 1980's***, an independent, bipartisan panel of 37 distinguished State and local elected officials and leaders from the private development community.

The report, *The Affordable Community: Growth, Change, and Choice in the 1980's*, emphasizes the critical role of strong partnerships between public and private-sector groups in changing the obsolete development practices and regulations which act as barriers to attaining affordable housing and efficient communities. It describes and provides examples of development practices that can best meet the different and pressing need of the 1980's. These include: Compactness in growing areas, infill and revitalization projects, mixed-use projects which include housing, more transportation choices, and housing designed to meet the changing needs and tests of smaller, more diverse households.

Copies of the report are available for $6.00 from the Superintendent of Documents, ***U.S. Government Printing Office***, Washington, D.C. 20402 (202/783-3238).

FYI

Community Rehabilitation Training Center. . . . "Training for Rehabilitation," Louisville, Ky., March 1-4, Washington, D.C., March 8-10; Los Angeles, Calif., March 8-10; San Antonio, Texas, March 16-19; New Orleans, La., March 22-25; Baltimore, Md., March 29-31; Dallas, Texas, March 30-April 2, 1982. Details: ***CRTC,*** Wilma Dorris, 4340 East-West Highway, Suite 900, Bethesda, Md., 20814 (301/654-9300).

Government Information Services. . . Seminar on "Protecting Your General Revenue Sharing Dollars," Dallas, Texas, March 1-2; Chicago, March 9-10; Atlanta, March 16-17; New York, March 25-26, 1982. Details: ***GIS,*** 1611 North Kent Street, Suite 508, Arlington, Va., 22209 (703/528-1082).

U.S. League of Savings Associations. . . "Low-Yielding Mortgages Seminars," Atlanta, Ga., March 1; Dallas, Texas, March 4; Boston, Mass., March 8; San Francisco, Calif., March 12; Washington, D.C., March 19; Kansas City, Mo., March 25, 1982. Details: ***USL,*** 111 East Wacker Drive, Chicago, Ill., 60601 (312/644-3100).

American Institute of Architects. . . ."Marketing Architectural Services for Housing in the 1980's," Washington, D.C. March 1, 1982. Details: Joy Brandon, ***AIA,*** 1735 New York Avenue, N.W., Washington, D.C. 20036 (202/626-7300).

Center for Public Management. . . "Accounting for Federal Grants and Contracts," New Orleans, La., March 8-10, 1982. Details: ***CPM,*** 12713 Steeple Chase Way, Potomac, Md., 20854 (301/340-1610).

National Housing Conference, "51st Annual Meeting," Washington, D.C., March 14-16, 1982. Details: ***NHC,*** 1126-16th Street, N.W., Washington, D.C. 20036 (202/223-4844).

American Bankers Association. . . "National Installment Credit Conference," Dallas, Texas, March 21-24, 1982. Details: ***ABA,*** Susan Richter, 1120 Connecticut Avenue, N.W., Washington, D.C., 20036 (202/467-4941).

Management Sciences Training Center, Office of Personnel Management. . . "Financial Management Conference," Washington, D.C., March 22, 1982. Details: Elaine Harvey or Ed Murphy, ***MSTC/OPM,*** P.O. Box 7230, Washington, D.C. 20044 (202/632-5600).

American Management Associations. . . "The 'Make or Buy' Decision: Cost Comparisons Under A-76," Washington, D.C., March 22-24, 1982. Details: ***AMA,*** 135 West 50th St., New York, N.Y. 10020 (212/246-0800).

Harvard University Graduate School of Design. . . "Design and Community," Cambridge, Mass., March 23, 1982. Details: ***GSD/HU,*** Gund Hall, 48 Quincy Street, Cambridge, Mass., 02138 (617/495-5864).

Congressional Quarterly. . . "Congress and the Legislative Process," Washington, D.C., March 24, 1982. Details: ***CQ,*** 1414-22nd Street, N.W., Washington, D.C. 20037 (202/887-8620).

Florida Home Builders Association and ***Community Associations Institute.*** . . "Timesharing: It Can Work for You," Clearwater Beach, Fla., March 31-April 1, 1982. Details: ***FHBA,*** Teri Green, P.O. Box 1259, Tallahassee, Fla., 32302 (904/224-4316).

National Land Use Conference. . . "Fourth Annual National Land Use Conference," Golden Gate University, San Francisco, Calif., March 31-April 2, 1982. Details: ***NLUS,*** Elizabeth Tippin, 536 Mission Street, San Francisco, Calif., 94105 (415/442-7000, ext. 7469).

Significant Litigation

E.T. Chambers, et al. v. *Samuel R. Pierce, Jr.*, No. 81-361-N (M.D. Ala.)

On December 14, 1981, the District Court dismissed this action without prejudice, pursuant to stipulation of the parties. Plaintiffs had brought this action claiming that ***HUD*** has wrongfully denied them mortgage insurance and subsidies under Section 235 of the ***National Housing Act*** sufficient to fund 242 homes.

Delores Ellis v. *HUD, et al.*, No. 81-2875 (W.D. Tenn., filed Nov. 4, 1981)

In this action plaintiff homeowner challenges ***HUD's*** refusal to grant her request for assignment of her mortgage. Plaintiff defaulted on her mortgage in May 1980, and then made sporadic payments thereafter under a forbearance agreement with the mortgagee. Plaintiff claims that ***HUD*** erroneously established her date of default, because Section 122 of *HUD Handbook* 4330.1 requires ***HUD*** to advance the date of default one month for each month's payment made by the mortgagor during the period of default. Plaintiff claims that had ***HUD*** properly computed her date of default, it would have concluded that she was eligible for assignment.

Bailey, et al. v. *City of St. Albans, West Virginia, et al.*, No. 81-2483 (S.D. W.Va., filed Nov. 24, 1981)

Prospective tenants of a public housing project bring this suit against the City of St. Albans, the local housing authority, local officials and ***HUD*** seeking an order requiring defendants to proceed with acquisition by the housing authority of a 28-unit apartment complex. Plaintiffs allege that the city's refusal to provide necessary fire protection for the project violates the terms of a Small Cities Grant Agreement with ***HUD***, as well as the *United States Housing Act of 1937*, 42 U.S.C. §1437, and the *Housing and Community Development Act of 1974*, 42 U.S.C. §5301. Plaintiffs further assert that ***HUD's*** and the housing authority's failure to pursue administrative actions under the Grant Agreement and the *1974 Act* against the city violates these same statutes.

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Hud Newsletter

HUD's FY 1983 Budget to Shift Direction in Providing Assistance

HUD Secretary Samuel R. Pierce, Jr., has unveiled a budget for FY 1983 which he says "reflects a major reform in the way we will be providing assistance to needy families."

The proposed *HUD* budget for FY 1983 was part of the total package which President Ronald Reagan transmitted to the *U.S. Congress* on February 8, 1982. Secretary Pierce described the *HUD* budget as "a major departure from the past – a departure which is necessary if we are to continue providing any housing assistance to needy families." He noted that at the end of FY 1981, the *Department* was committed to pay nearly one-quarter of a trillion dollars for subsidized housing programs – $122 billion for Section 8 housing alone since 1975. "Instead of the costly commitment which had to be made for up to a 30-year period for Section 8 and public housing new construction and substantial rehabilitation, we will be placing an emphasis on the preservation and protection of the existing housing stock, Secretary Pierce said. "We cannot assist needy families for long," he added, "if Federal expenditures continue out of control."

The proposed reform of *HUD* housing programs would build upon the current Section 8 existing rental housing assistance program. Using a modified Section 8 certificate or voucher, the new program is designed to increase the incentive for households to select housing units and to negotiate rents with landlords. *HUD* estimates that some 106,615 low-income families would receive the modified certificates during FY 1983. The estimated value of the certificates would be about $2,000 per year for each family.

Section 8 has been the major program for providing federally subsidized housing since the *Housing and Community Development Act of 1974* was enacted. Currently, the program provides a subsidy which covers the full costs of providing housing assistance, including debt service and operating costs attributable to the construction and/or operation of rental housing for lower-income families. Subsidy payments are equal to the difference between the contract rent (based on the fair market rent for new or existing units of comparable standards in the area) and the amount of rent paid by the eligible family.

Under the proposed modified Section 8 certificate program, the subsidy will be based on the difference between an established rent payment standard for each market and a fixed percentage of family income. The payment standard will be set at a level equivalent to the 40th percentile of the distribution of rents for all rented units of standard quality, excluding new units. Tenant contributions will be set at 30 percent of income for new tenants. Those currently receiving subsidies will have their contributions increased from 25 percent of income in 1981 to 30 percent over a five-year period to avoid hardship. Tenant eligibility will be based upon an income standard set at 50 percent of median income for a given area. Subsidy costs will be substantially lower under this method of housing assistance and will allow the tenant discretion in determining the level of income to be spent to obtain standard housing.

HH1.15/4:

The idea of a certificate/voucher program as a way of subsidizing housing costs was first officially offered by the ***President's Commission on Housing***. In its first interim report last October, the ***Commission*** recommended "that the primary Federal program for helping low-income families achieve decent housing be a consumer-oriented housing assistance grant." The ***Commission*** said that the grant system should replace future commitments to build additional units under Section 8, Section 202, and public housing. Calling the proposed grant system "a clear and viable alternative" to existing programs, the ***Commission*** recommended a system in which "the subsidy is not tied to a particular unit but is either paid directly to the program participant or to the landlord of a housing unit selected by a program participant."

Rental Rehabilitation Grants

In conjunction with the modified Section 8 program, ***HUD*** has recommended a new rental rehabilitation grant program to upgrade housing units. Beginning in FY 1983, the budget projects an appropriation of $150 million to implement the rehab program. Under the program, assistance will be provided to local governments and States to support the rehabilitation of small rental properties. The need for the program is based on the lack of available standard existing housing in certain market areas. Funds will be available for the rehabilitation of both single-family and multifamily properties. Special allocations of Modified Section 8 Certificates will be made available in conjunction with ***HUD's*** rehabilitation effort. Not more than 50 percent of the cost of individual rehabilitation projects could be financed with Rental Rehabilitation Grant funds.

The grants would be used to subsidize the cost of rehabilitating rental properties at competitive market rates for the neighborhood within which they are located. Localities would be free to coordinate the rental rehabilitation grants with their Community Development Block Grant (CDBG) funds and would have wide discretion to determine the type and level of subsidy to be used. The proposed program would replace the Section 312 Rehabilitation Loan and Section 8 Moderate Rehabilitation programs. The $150 million appropriation would bear the cost of an estimated 30,000 rehabilitated rental units in FY 1983 at an average grant of $5,000 per unit, for an estimated $300 million total rehabilitation effort.

Augmenting the rental rehabilitation grant program, ***HUD*** proposes to spend $1.8 billion in its Comprehensive Improvement Assistance Program (CIAP) designed to upgrade and preserve existing public housing units, including the management and operation of such projects, in order to assure that they continue to be available to serve low-income families. The CIAP started in FY 1981, and requires that each public housing authority applying for modernization assistance prepare and submit a comprehensive assessment of the physical and management improvements required, identify normal replacement of equipment and structural elements, and submit a plan and schedule for making the improvements and replacements over a period not to exceed five years. The plan also includes estimates of the total cost, the costs of each annual increment, and the estimated available reources to accomplish the comprehensive objectives.

The FY 1983 budget also calls for an appropriation of slightly more than $1 billion for public housing operating subsidies. "While there will be those who say this is not enough, we believe," said Secretary Pierce, "that through improved management by PHA's and anticipated savings from ongoing efforts to improve energy efficiency of public housing projects, all legitimate needs of PHA's will be met." Secretary Pierce also said that beginning this year, ***HUD*** intends to offer local PHA's the option of cancelling outstanding reservations for the construction of new public housing projects and using a portion of the balance for the modernization of existing projects. "This will increase the PHA's flexibility in dealing with local needs – offering them the opportunity to modernize and enhance the liveability of their existing inventory," he added.

Secretary Pierce also announced another new effort to upgrade existing housing units during his budget briefing. He said the budget proposes an appropriation of $12 million in FY 1983 for the Urban Homesteading Program. Of that amount, $9 million will be used to support an estimated 818 single-family properties to be transferred at an estimated average value of $11,000. ***HUD*** also plans to use about $3 million of the appropriation to support a proposed multifamily homestead demonstration. This will allow the transfer of a minimum of 15 buildings, averaging 30 units each, for a total of approximately 450 dwelling units to be homesteaded. Currently, 93 cities are participating in the program, with additional cities expected to participate within the next two years.

The homesteading program has its basis in Section 810 of the *Housing and Community Development Act of 1974* which authorizes the Secretary to transfer unoccupied one- to four-family ***HUD***-owned properties, without payment, to units of general local government for use in an urban homesteading program. A total of $55 million has been appropriated through FY 1982 to reimburse the ***FHA*** Insurance Funds for properties transferred to local governments. The overall objective of the program is to utilize existing housing stock to provide homeownership, and to encourage public and private investment in selected neighborhoods through preservation and revitalization.

New Direction Negates Long-Term Commitments

Because of the emphasis on existing housing stock, Secretary Pierce said that huge budget authority amounts are no longer needed. As as result, recissions for Section 8 and public housing are being proposed in both the FY 1982 and FY 1983 budgets. In FY 1982, the Secretary explained, a total of some $27.6 billion would be available – $17.4 billion in new authority, $7.5 billion in anticipated recaptured funds, and $2.7 billion in carryover. The amount expected to be used, however, is only $18.2 billion, and the amount of the proposed recission is $9.4 billion.

A further recission of $2.4 billion is being requested in the FY 1983 budget for the subsidized housing programs. Again, the recapture of almost $10 billion is anticipated, while the actual use is expected to total only slightly more than $7.5 billion.

Despite these reductions, Secretary Pierce emphasized the administration's commitment to house needy families. "As of the end of 1981, there were approximately 3.4 million units occupied and receiving funds under our various assistance programs. This is expected to grow to 3.8 million by the end of 1985, under our budget proposals." He noted that needs for new construction are being provided for in this budget. "Assistance for elderly and handicapped households under the Section 202 housing loan program, and single-family and multifamily housing supported by the ***Federal Housing Administration (FHA)*** will be made available," he said. "In this connection," he added, "***FHA*** is alive and well with a number of new initiatives to ensure that first-time home buyers and inner-city residents who are not adequately served by the private market can benefit. A $35 billion insurance commitment level is requested in this budget which is more than adequate to handle foreseeable needs."

In the area of community development, Secretary Pierce said the budget level reflects the importance the administration places on economically and socially viable communities. "The 1983 budget will continue the Community Development Block Grant (CDBG) program at a level of $4.456 billion – the same as in 1982. The budget also recognizes the need to increase private investment and jobs in distressed areas and in the Nation as a whole. For this purpose, the ***Department*** also is proposing $440 million for the Urban Development Action Grant (UDAG) program, the same level as provided for in 1982."

Basic research programs will be held to $20 million in 1983, the same as in 1982. The appropriation for the fair housing assistance program will be $5.7 million, an increase of 14 percent over the 1982 level of $5 million. This reflects the administration's continued commitment to the achievement of the goal of equal access to housing for all Americans, Secretary Pierce said.

Publications Available

What About Fireplaces?. . . tells how to make a fireplace more efficient and helps you to determine whether it is worthwhile to use a fireplace as a heating aid. Available for $2.25 from the ***Consumer Information Center,*** Dept. 172K, Pueblo, Colo., 81009.

The 1982 Federal Funding Guide. . . a totally new edition with data on 115 key funded programs; contains new rules for block grants and details new program legislation and guidelines, plus the latest budget information and facts about the appropriations compromise reached in December 1981; explains application procedures for grants, and tells you if you are eligible. Available for $10.00 from ***Government Information Services,*** 1611 North Kent Street, Suite 508, Arlington, Va., 22209.

Special Report: The 1981 Tax Law. . . this special analysis of the 1981 tax law contains information on the law's impact on real estate in general, and on preservation and rehabilitation in particular. The eight-page report covers such subjects as old buildings and the 1981 tax act, an accelerated cost recovery system, minimum tax on preference items, amortization of construction period interest and taxes, and special rules for substantial improvements. Available for $3.00 from *Preservation Reports, Inc*. 1016-16th Street, N.W., Suite 275, Washington, D.C. 20036.

A National Agenda for the Eighties. . . this main report contains the views of 45 Americans drawn from diverse backgrounds outside of Government who attempted to "uncover the dynamics of American society and world affairs that we believe will determine events in the eighties." Available for $14.95 ($5.95 paper) from ***Prentice Hall,*** Englewood Cliffs, New Jersey, 07632.

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HUD-Census Survey Says Rural Housing Outpaces Urban Growth

A recently released report by ***HUD*** and the ***Bureau of the Census*** said that the growth rate of owner-occupied homes was 40 percent in rural areas compared with 15 percent in urban areas between 1970 and 1978. The number of occupied homes in rural areas increased from 15.9 million in 1970 to 22.3 million in 1978. During the same 8-year period, the number of occupied housing units in urban areas rose from 47.6 million to 54.9 million, according to the *Annual Housing Survey*.

The report said that although rural property values lagged behind those in urban areas, the rate of increase was much faster for rural homes: 198 percent compared with 137 percent for urban values. The median value of owner-occupied rural homes was $38,500 compared with $42,900 for urban homes in 1978. Owners of rural homes paid a much lower real estate tax than urban homeowners – $275 median for rural, compared to $528 for urban – the report noted.

In addition to rural housing being less expensive and, on the average, newer than urban homes, the survey found their occupants more pleased with their neighborhoods. Some 41 percent of rural households rated their neighborhoods as "excellent," compared to 33 percent for urban households.

The survey also revealed that the proportion of units lacking complete plumbing, bathroom, or kitchen facilities declined significantly in rural areas from 1970 to 1978; however, the proportion of rural units with these deficiencies remained higher than in urban areas. Percentages for urban and rural housing units were:

Facility	Rural		Urban	
	1970	1978	1970	1978
Lacking some or all plumbing	16	6	3	2
Lacking complete bathrooms	18	5	2	2
Lacking complete kitchens	11	5	2	2

The ***HUD-Census*** study found that approximately one-half of all households had no air conditioning equipment in 1978, with 45 percent of urban and 51 percent of rural households lacking air conditioning. However, 25 percent of urban households and 23 percent of rural households had central air conditioning. It also found that mobile homes are more common in rural areas than in urban areas: 70 percent of all mobile homes were located in rural areas and were occupied by 12 percent of all rural households. In comparison, only 2 percent of urban households resided in mobile homes. Although utility gas was the most commonly used house heating fuel for both rural and urban households, it was used by a far greater percentage of urban households: 65 percent compared with 31 percent for rural households.

Single copies of the report, Part E, *Urban and Rural Housing Characteristics for the United States and Regions: 1978*, Series H-150-78, are available for $7.50 prepaid from the ***Superintendent of Documents***, U.S. Government Printing Office, Washington, D.C. 20402 or from Commerce district offices in major U.S. cities.

HH 1.15/4:

FHLBB Proposes to Liberalize Mobile Home Lending Rules

The ***Federal Home Loan Bank Board (FHLBB)*** has proposed the amending of regulations for Federal savings and loan associations to liberalize the manufactured home lending rules, and thus allow the associations to become more involved in this type of lending activity.

The ***FHLBB*** says the amendments would permit Federal savings and loan associations to finance more affordable housing profitably and help meet the housing needs of the lower-and moderate-income residents of their communities. The proposed rules would:

- allow associations to finance insurance premiums as part of a mobile home loan;
- eliminate the percentage-of-assets limit on mobile home lending;
- remove certain restrictions on the purchase of interests in out-of-territory mobile home loans; and
- effect certain terminology changes.

In the *Depository Institutions Deregulation and Monetary Control Act*, ***Congress*** revised the ***Home Owners' Loan Act*** to change references from "mobile homes" to "manufactured homes." The ***FHLBB*** proposes to adopt the term manufactured homes in its regulations in the interest of uniformity. It also proposes to delete its definition of mobile home in favor of a reference to the statutory definition of manufactured homes in the ***National Manufactured Housing Construction and Safety Standards Act***.

Project to Research Use of 'Accessory Apartments'

The ***Andrus Foundation***, sponsored by the ***National Retired Teachers Association*** and the ***American Association of Retired Persons*** NRTA/AARP), has agreed to fund a project which will "research the growing use of accessory apartments as an American lifestyle." Accessory apartments are defined as small rental units built into existing housing.

The study will be conducted by the ***Center for the Study of Pre-retirement and Aging*** of the ***Catholic University***, Washington, D.C., and Patrick H. Hare, a planning consultant specializing in housing.

Hare, of ***Planning and Design***, and Dr. David Guttman, director of the Catholic University Center, say the project will emphasize the installation of accessory apartments by older homeowners who might otherwise be forced to leave their homes for lack of income, security problems, or the need for services. The project developers list selected benefits of the accessory apartment concept as:

- an increase in the availability of small, affordable rental units to ease the current tight rental market;
- rental income for the homeowner who is often on a fixed income but has to meet the rising costs of heat, taxes, and maintenance;
- added security for older homeowners who fear both criminal intrusion and personal accidents; and
- support for both the older owner and younger tenant, including babysitting, foster parenting, home and lawn maintenance, incidental health care, etc., which may involve a rent reduction in exchange for services.

Hare said "Statistics on elderly homeowners and on the size of their houses indicate that the concept is widely applicable. While single-family zoning is the largest current stumbling block, a growing number of localities are changing their ordinances to make accessory apartments legal." He added that more and more communities are now acknowledging the illegal installation of accessory apartments in disregard of current zoning laws. The survey will get underway next month and the results will be disseminated through a final report.

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HUD Certifies State Land Sales Programs of Minnesota, Florida

HUD has agreed to accept the applications and certify the land sales programs of Minnesota and Florida. The action means that private developers and Government agencies will save time and money in implementing State land sales regulation programs. *HUD* Secretary Samuel R. Pierce, Jr., said the action is another example "of our continuing efforts to simplify regulations and reduce paperwork while maintaining maximum protection for our land buyers."

HUD Awards 37 Action Grants Totaling $57.5 Million to 30 Localities

HUD Secretary Samuel R. Pierce, Jr., has announced the awarding of Urban Development Action Grants to 29 Cities and one urban county totaling $57.5 million. The awards are expected to help create jobs, new housing and strong tax bases in the localities.

The grants will go to 37 projects and will stimulate more than $298.4 million in new private investment. A total of 13,148 jobs – 4,831 new permanent positions, 4,225, existing, and 4,092 in construction – also will result from the awards.

In announcing the awards, Secretary Pierce said: "There are answers to problems faced by distressed urban areas and I think these projects help prove the point: private investment created America's great cities, and local initiative can help even troubled areas find long-term solutions. Partnerships between Government and the private sector can do much, much more than Government could do alone."

None of these projects could have reached their planned development without the assistance of the UDAG program, concluded Stephen J. Bollinger, Assistant Secretary for Community Planning and Development. He said that it is the private investment – not the Action Grant – that will make each project a success. "New private investment is the key to helping cities back to health, and the Action Grant program can be one of the keys to attracting that new investment," Bollinger said.

The UDAG awards are based on the merits of the projects submitted by cities. Projects must show a significantly higher amount of private capital committed to the development than the amount being sought.

I.G. Saves HUD $40 Million in FY 1981

HUD's Office of the Inspector General has saved the Department more than $40 million during the past fiscal year. A major portion of that amount – $38.2 million – was recovered as a result of audits; the remaining $2.2 million was recovered through investigations.

According to the Office of the Inspector General, 124 internal audit reports and 852 external audit reports were issued in FY 1981. An additional 4,646 audit reports prepared by non-Federal auditors, were monitored by ***HUD's*** Inspector General. That office opened 2,257 new investigations and referred 734 cases for prosecution. Investigative work resulted in 198 indictments and 119 convictions, including two ***HUD*** employees.

Cooperative efforts between ***HUD's*** Office of the Inspector General and inspectors general from other Federal agencies have helped to uncover instances of fraud. In one instance, interagency efforts resulted in the indictment of 49 recipients of ***HUD*** housing assistance payments for submission of false statements to the Government. To date, the total amount of suspected fraud in these cases is $176,814. ***HUD*** estimates that its delinquent debt as of September 30, 1981, was $1.6 billion. A Special Task Force on Debt Collections has completed an analysis of the Department's delinquency. The task force was established last March by Secretary Samuel R. Pierce, Jr.

The results of the ***HUD*** Inspector General's efforts are contained in his semi-annual report to Congress. While supplies last, copies of the report may be obtained from the Office of the Inspector General, Room 8256, ***HUD***, 451 Seventh Street, S.W., Washington, D.C. 20410.

Significant Litigation

Larry Schaltenbrand v. *Marsha Morris* v. *St. Clair County Housing Authority, Samuel Pierce, et al.* No. 81-IM-643 (20th Cir. Ct. Ill., filed 7-27-81)

In this third party action, the plaintiff, a Section 8 Existing Housing tenant, has alleged that her eviction notice is not proper in that the public housing authority neither issued her a notice to vacate nor provided her an opportunity to be heard prior to issuance of the eviction notice. The plaintiff claims that 42 U.S.C. §1437f(d)(1)(B) and the due process clause of the 14th Amendment require the notice and pre-eviction hearing and that ***HUD*** has failed to promulgate adequate procedures in accordance with them. She is requesting that ***HUD*** be ordered to promulgate such procedures and that her eviction notice be declared invalid.

Maria Ortiz and Rosa Atteberry, et al. v. *HUD, et al.*, C.A. No. B-81-17 (S.D. Texas, filed 2/10/81)

By stipulation, the District Court has dismissed this action with prejudice against the named plaintiffs.

Plaintiffs, tenants of a Section 221(d)(4) project who receive rent subsidies under the Section 8 New Construction program, alleged that their landlord sought to evict them without complying with applicable HUD regulations, the United States Housing Act of 1937, as amended and the due process clause of the 14th Amendment to the extent that the landlord does not afford plaintiffs an informal "Goldberg" type hearing before evicting tenants. Plaintiffs sought to enjoin HUD from enforcing 24 C.F.R. 880.607(c) because of its failure to compel owners to provide tenants with an informal hearing before evicting tenants. The stipulation incorporates the parties' settlement agreement which provides that while not required by Section 880.607(c), the owner will provide tenants with limited informal hearings before evicting them, but the owner will not be bound by the recommendation of the hearing panel. The stipulation also provides that the owner's notice of proposed lease terminations to tenants required under Section 880.607(c) will be provided in both English and Spanish. The stipulation provides that it will be superseded by any future conflicting HUD requirements.

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Housing Commission Seeks Steps to Reduce Burden on Housing Industry

The ***President's Commission on Housing*** has made a series of recommendations designed to reduce significantly the regulatory burdens on the housing industry. Bernard Siegan, chairman of the Committee on Government Regulations and the Cost of Housing, called the recommendations "broad reaching and long overdue." He said that the Federal Government has so overregulated the production of housing that public policy has forced the price of homes beyond the reach of most Americans.

To promote affordable housing responsive to market demand, the ***Commission*** recommended tightening of the standards which localities used to regulate housing construction and its location. The recommendations extend to zoning, subdivision regulations, processing requirements and other development requirements. Siegan said that State and municipal governments have a critical service to perform by setting and enforcing development standards that protect the public health and safety. He listed safe buildings, adequate streets, water and sewer facilities, and public planning as essential elements of a functioning and vibrant living environment, and added that when development standards are restrictive, they increase the costs of housing or limit construction without providing corresponding health or safety benefits.

Siegan noted that enabling zoning laws give great discretion to municipalities for the control of development over housing, but because States have exerted few controls over municipal exercise of this power, many municipalities have unnecessarily used it to limit the production of housing and to increase housing costs. Urging States and municipalities to adopt standards that will limit zoning powers to those necessary to meet vital and pressing governmental interests, the ***Commission*** said that the public pays as much as 25 to 30 percent in unnecessary housing costs.

The ***Commission*** also called for a revamping of Federal policies concerning timber production, the major material used in residential construction, from public lands to increase harvesting of timber in response to market demands. It recommended that ***HUD*** phase out its minimum property standards for multifamily housing and rely on the various model building codes currently in wide-spread use. The ***Commission*** also voted its support of the conversion of multifamily housing to condominium and cooperative living units as a means of providing homeownership opportunities for those unable to afford new housing. It said that where market pressures for alternative forms of ownership prevail, conversions are a natural accommodation and should not be impeded by restrictive State or local ordinances.

HUD to Change Computation Method on Defaulted Loans

HUD is proposing changes in its regulations (Part 200) as they relate to the recovery of defaulted property improvement loans. The change would require interest on all claims held by the Federal Housing Commissioner to be calculated by applying installment payments first to the interest and then to the principal. Currently, interest on defaulted property improvement loans is excluded from applicability of the "U.S. Rule." That rule has been in effect since it was issued by the ***General Accounting Office*** and the ***U.S. Department of Justice*** pursuant to the *Federal Claims Collection Act of 1966*.

HH 1. 15/4 :

Housing Commission Schedules a Series of Public Meetings

The ***President's Commission on Housing*** has announced a tentative schedule of meetings for the full body. The meetings are scheduled for Tuesday, March 23, Room 2010, the New Executive Office Building (NEOB), 9 a.m.; Thursday, April 15, Room 2010, NEOB, 9 a.m.; and Friday, April 16, Room 2010, NEOB, 9 a.m.

Due to the possibility of changes, the ***Commission*** suggests that persons interested in attending the meetings call its offices to confirm the date, location, and time of each meeting. The contact person for such information is Jean M. Freeze, ***President's Commission on Housing,*** 730 Jackson Pl., N.W., Washington, D.C. 20503 (202/395-5832).

GNMA Announces Release of Tandem Commitment Authority for FY 1982

The ***Government National Mortgage Association (GNMA)*** has announced release of its FY 1982 Section 8 Tandem and Targeted Tandem funds of nearly $2 billion. Applications are being received for a portion of the FY 1982 Tandem commitment authority for Program 25H (Section 8 assisted multifamily, UDAG-related projects), Program 25J (Section 8 assisted multifamily projects that participated in the January 1981 lottery but were unsuccessful), Program 27H (non-assisted UDAG-related projects) and Program 27J (non-assisted projects in UDAG-eligible cities and urban counties that participated in the January 1981 lottery but were unsuccessful).

The ***GNMA*** said that, as a first priority, it will issue commitment contracts for projects which had UDAG funds reserved by September 30, 1980, but which have not yet received a ***GNMA*** contract. The secondary priority will go to those projects which had received an ***FHA*** commitment for project mortgage insurance on or before January 9, 1981, and which competed unsuccessfully for remaining FY 1981 Tandem commitment authority in the 1981 lottery.

HUD Picks Eudaly to Head Fort Worth Region

HUD Secretary Samuel R. Pierce, Jr., has announced the selection of Richard Eudaly, a Texas realtor, as administrator of the Department's Fort Worth Regional Office. Pending routine clearance procedures, he will serve in an acting capacity.

As administrator, Eudaly will oversee the monitoring and evaluation of program management and operations in area and service offices located in Arkansas, Louisiana, New Mexico, Oklahoma and Texas.

Since 1971 the newly appointed regional administrator has headed ***Eudaly Investments,*** a real estate firm in Fort Worth. Prior to forming that company, he was a real estate salesman for ***Marin Hedrick and Company*** of Fort Worth. Eudaly also has taught in the Animal Science Department at ***Texas A&M University*** (College Station), and served as farm superintendant at that school.

39 Distressed Cities Get HUD Grants to Spur Investment Jobs

HUD Secretary Samuel R. Pierce, Jr., has announced 42 Urban Development Action Grant (UDAG) projects which are expected to attract more than $78 million in new private investment in 39 small, distressed cities. The projects also are expected to result in some 2,270 private-sector jobs.

The grants, totaling $16,466,643, also will save 1,346 existing jobs in the private sector, and will provide about 1,714 construction jobs. All of the grants went to small cities competing in the first quarter of FY 1982. Metropolitan cities and urban counties compete during the second quarter and announcements are expected to be made in April.

GAO Releases Results of Study of Problems in Public Housing Projects

The ***U.S. General Accounting Office*** has released a report in which it concludes that "no consensus exists on what specific factors have the greatest impact on the success or failure of public housing projects." The report said, however, that there is agreement "that factors such as a project's physical or management characteristics do contribute to the severity of problems in public housing."

The ***GAO*** produced the report as a result of having examined whether there are "common denominators" that may help explain causes of financial and management problems in lower-income public housing projects. The study focused on two areas affecting public housing operations: (1) the high density of projects and tenants within a given geographic area and (2) the size of the managing entity. The objective was to determine whether these two factors have influenced financial and management problems more than other factors.

The study was based primarily on reports relating to public housing problems issued by private and public organizations such as the ***Congressional Budget Office***, the ***Congressional Research Service***, ***HUD***, the ***National Association of Housing and Redevelopment Officials***, the ***Public Housing Authorities Directors Association***, the ***Urban Institute*** and ***GAO's*** own work. The outcome of the study indicated that many factors, including project and tenant density and size of management entity influenced public housing operations, but it added that "high density of projects and tenants and management size do not appear to be any more important than other factors, such as financial and social and neighborhood problems, that also affect public housing operations."

Density factors, as defined by ***HUD***, include those physical aspects of a housing project associated with design and construction that affect the physical environment of a housing development. Examples of project density and size factors are various types of site layouts, high-rise versus low-rise buildings, etc. Many housing experts say there are no definitive guidelines for establishing the proper density or size of a housing development or for choosing between low-rise and high-rise buildings. The ***GAO*** report said, however, that implications from previous public housing project experiences and research findings strongly indicate that these factors can be a major obstacle to meeting public housing program needs.

The size of public housing management in relation to its total responsibilities appears to be another serious handicap in overcoming problems of public housing, the ***GAO*** noted. It said that some problems affecting PHA management size include deteriorating inventories, which are difficult to rent and costly to maintain; high rates of rent delinquencies; and community opposition to the program in general.

The ***GAO*** report emphasized that other factors, in addition to density and management size, accounted for public housing problems. Drawing on a 1974 analysis of management performance in public housing made by the ***Urban Institute***, the study listed relevant variables that affect public housing operations in four categories:

* criterion variables that measure the overall performance of the PHA's;

* control variables that measure environmental factors and PHA characteristics over which the PHA has little or no control but which influence its operations;

* income and expense variables that measure the actual income and expenses of PHA's; and

* management variables that describe management policies, decisionmaking procedures, and the specific practices and attitudes of PHA staff.

The ***GAO*** study also drew from a 1978 ***HUD*** study, *Problems Affecting Low-Rent Public Housing Projects*, which found several kinds of problems/factors repeatedly faced by public housing projects, which it categorized as follows:

* physical problems that encompass deficiencies in the integrity and quality of structures and systems, inadequate maintenance, and design flaws involving project sizes and densities;

* managerial problems that capture the failure of ***HUD***, PHA, or project-based management to adequately establish and implement a variety of operational policies and procedures;

* financial problems that reflect rising project expenses, low-rental incomes, and reported inadequacies of a performance funding system; and

* social problems that include crime, drug use, the absence of needed social services, the shortcomings of public services, and negative neighborhood conditions.

Based on the study of several ***HUD*** publications and reports and publications from other sources, the ***GAO*** study concluded "that no consensus exists on what specific factors have the greatest impact on the success or failure of public housing projects." The study said that factors such as a project's physical or management characteristics do contribute to the severity of problems in public housing, but noted that "it has proven difficult to identify a common link between what makes a good project versus what makes a bad one." The study director said that his researchers "found no studies or reports demonstrating conclusively a direct relationship between density and public housing problems or management size and poor management performance. We found only indications or generalizations being made as to their impact, and the extent of the impacts identified varied from report to report."

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Warren Lasko is Selected as GNMA Executive Vice President

HUD Secretary Samuel R. Pierce, Jr., has announced the selection of Warren A. Lasko to serve as executive vice president of the ***Government National Mortgage Association (GNMA).*** The ***GNMA*** conducts secondary mortgage market activities in support of the residential housing market, and is a Government corporation located within the ***Department of Housing and Urban Development.***

Lasko is responsible for administering the ***GNMA*** mortgage-backed securities program which has financed $130 billion in housing for middle- and moderate-income families since its inception in 1968. The program is the single largest element of the residential secondary mortgage market. Lasko also oversees the ***GNMA's*** Tandem programs which this year will finance $2 billion in rental-assisted housing.

Prior to his promotion, Lasko was vice president for Mortgage-Backed Securities at the ***GNMA.*** He also has served as vice president for Policy Development of the ***Federal National Mortgage Association (FNMA)***; acting deputy assistant secretary for ***HUD's*** Insured Loan Programs; director of ***HUD's*** San Diego Service Office; and director of ***HUD's*** Division of Financial Analysis.

A native New Yorker, Lasko is a graduate of ***Columbia*** (New York City) ***University.*** He has published numerous articles related to housing and mortgage financing, and once taught economics at the ***University of Virginia*** (Charlottesville).

HUD Studies Opportunities for Urban Infill Growth

A ***HUD*** study conducted by the ***Real Estate Research Corporation (RERC)*** has concluded that parcels of land standing vacant in virtually every city across the Nation could accommodate a substantial portion of urban development in the future.

The study on urban infill – the development of vacant land within urban boundaries – examines opportunities and constraints in three diverse metropolitan counties and their potential use in those areas. Findings of the study show that high gasoline prices and other factors have focused attention on urban infill as an alternative to expansion beyond urban areas. The study cautions, however, that the opportunity for urban infill is limited, and that communities must continue to plan for development at the urban fringes.

Copies of the study, *Urban Infill: Its Potential as a Development Strategy,* may be ordered in advance from the ***American Planning Association,*** 1313 East 60th Street, Chicago, Ill., 60637 or the ***Urban Land Institute,*** 1090 Vermont Avenue, N.W., Washington, D.C. An executive summary of the study is available for $2.00 from the ***RERC,*** 72 West Adams Street, Chicago, Ill., 60603.

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HUD, Youth Clubs Join to Expand Public Housing Services

Continuing its tradition of involving public housing residents in programs designed to improve their lifestyle, ***HUD*** has agreed to join forces with the ***Boys and Girls Clubs of America*** to work for the expansion of cultural, educational, and recreational services available to young residents of public housing facilities in six cities. Under the joint effort, ***HUD*** will sponsor workshops in designated public housing projects to create new programs and expand existing ones.

HUD-conducted workshops will be held in Stamford, Conn., Baltimore, Md., and Houston, Texas with the Girls Clubs of America as host. Meetings in Knoxville, Tenn., Akron, Ohio, and San Juan, Puerto Rico will be hosted by the Boys Clubs of America. In each city, ***HUD*** and the host club will select the public housing facilities to be tested based on the need for the program, commitment by local leadership to offer services to meet those needs, and a willingness by residents and managers to participate in a long-term program.

The pilot project will be reviewed in three months and an informal progress report will be prepared at the end of that period. A full assessment of the program will be made in 12 months. The evaluations of the reports will be used to determine whether ***HUD*** will sponsor additional workshops in large public housing agencies across the Nation.

Additional information on the joint program may be obtained from Elizabeth Murphy, community services program specialist, ***HUD***, 451 Seventh Street, S.W., Washington, D.C. 20410 (202/472-4705).

Mobile Americans are Young, Educated, Professional

The ***Census Bureau*** has revealed that Americans who are on the move are likely to be young, better educated and professional. That is the conclusion of a report on *Geographical Mobility: March 1975 to 1980*, recently released by the ***Bureau***.

The report said that 45 percent of all people 5 years and older moved between 1975 and 1980, and those in the 25-to 29-year-old group had the highest mobility rate, 77 percent. The high mobility among persons in their 20's, the report noted, reflected their marrying, entering the work force or establishing new households after finishing school.

According to the study, metropolitan areas continued to lose population to non-metro areas between 1955 and 1980. While the number of blacks moving into metro regions remained about the same as in the late 1960's, the number migrating out increased significantly. People moving into metro areas generally were younger than those leaving. The median age of migrants into Standard Metropolitan Statistical Areas (SMSA's) was 26.3 years, compared with 29.0 years for those departing. Although blacks and whites changed residences at about the same rate, whites tended to move greater distances. About 20 percent of whites moved to a different county compared with only 13 percent of the blacks.

Professional workers, the ***Census Bureau*** said, were the most likely to move, while farm workers had the most stable residency. Likewise, people with more education were most likely to move, with college graduates relocating more than high school graduates, or those with only an elementary education.

Based on a survey of 68,000 households in the March 1980 *Current Population Survey*, the mobility report contains data on people's moving habits by age, sex, race, and other demographic characteristics. Copies of the report (Series P-20, No. 368) are available for $6.00 each from the Superintendent of Documents, ***U.S. Government Printing Office***, Washington, D.C. 20402, or from ***Commerce Department*** district offices in major U.S. cities.

MICA Says Insured Mortgages Declined in 1981

A spokesperson for the ***Mortgage Insurance Companies of America (MICA)*** said recently that the group issued 353,446 new mortgages last year, a 10 percent decline from the total mortgages issued in 1980. John C. Williamson, the ***MICA's*** executive vice president, noted that his group's performance last year compares favorably with the steep 47.4 percent decline experienced by the Government in its unsubsidized home programs and with the 46 percent drop suffered by the ***VA***-guaranteed mortgage program during the same period.

Williamson said that the number of mortgages insured in 1981 was "a reflection of the national housing slump." He said that for the three months ending December 31, 1981, the average price of one-to-four family homes whose purchases were financed by private mortgage insurance was $61,980, up 11 percent from the $55,800 average for the fourth quarter of 1980, and up 1 percent from the average for the third quarter of 1981.

HUD Sets New FHA Loan Limits for Manufactured Homes

HUD Secretary Samuel R. Pierce, Jr., has announced new ***FHA*** loan limits designed to make it easier for home seekers to purchase manufactured or mobile homes. The new, higher amount that ***FHA*** will insure on a single-section mobile home is $22,500, up from $20,000. For a multisection manufactured home, the limit is now $35,000, up from $30,000. The repayment period for a single-section unit is extended to 20 years, up from 15 years.

The increases were authorized by the *Omnibus Budget Reconciliation Act of 1981* which also established new insurable loan limits for the combination mobile home and lot program administered by ***HUD***. The new ceiling for a single-section unit and lot is now $35,000, up from $27,500, and $47,500 for a multisection home and lot, up from $36,000. The insurable loan limit for a lot is $12,500, up from $9,315.

Secretary Pierce said the changes, published in the January 6 issue of the *Federal Register* at pp. 616-618, will have the effect of lowering the required downpayment on mobile homes by reducing the dollar gap between the amount ***FHA*** will insure and what it actually costs to buy a mobile home. He said that lowering the downpayment should be helpful to families unable to buy a conventional home in today's housing market and could enable them to build the equity needed for a larger home later on.

Publications Available

Builder's Guide to Government Loans. . . outlines the steps for obtaining construction financing of one- to four-family housing projects from approved ***HUD/FHA*** lenders; contains information on current programs for builders using insured, guaranteed or direct loans, interest subsidies, rent settlements, and direct-grant State or local programs. Available from the ***Craftsman Book Company***, 542 Stevens Avenue, Solana Beach., Calif., 92075, $13.75, 413 pp.

Land Use Law: Issues for the Eighties. . . contains current information on new legal challenges to local planning efforts, recent laws and court decisions, and new dangers for communities; provides practical suggestions on ways to avoid or minimize potential litigation and focuses on ways to ensure due process so that the courts do not invalidate land-use decisions because of incorrect procedures. Available from the ***American Planning Association***, 1313 E. 60th Street, Chicago; Ill., 60637, $23.95 for non-members, 232 pp.

Pollution and Reform in American Cities, 1870-1980. . . tells how rapid industrialization of American cities at the turn of the century created an unprecedented environmental crisis; compares the earlier years to similar concerns today. Available for $15.00 from the ***University of Texas Press***, Box 7819, Austin, Texas, 78712.

Public Relations for Local Governments. . . discusses the necessity of effective communication with the public; contains sections on positions and duties, how to reach the community; how to deal with the media, and how to use information outlets. Available for $7 per copy from the ***International City Management Association,*** 1140 Connecticut Avenue, N.W., Washington, D.C. 20036 (202/828-3600).

The following publications are available from the ***Consumer Information Center,*** Department DD, Pueblo, Colo., 81009. Single copies are free while supplies last.

How to Crimeproof Your Home. . . tells how to use landscaping, lighting, doors, windows, locks, and alarms to protect your home; contains tips for apartment dwellers, plus safeguards for your home while you're on vacation. 212J, $2.00, 18 pp., 1979.

How to Prevent and Remove Mildew. . . tells how to prevent and remove mildew in your home and how to get rid of dampness and musty odors. 199J, $1.50, 12 pp. 1978.

Protecting Your Housing Investment. . . provides valuable information on the maintenance of heating systems, plumbing, and building structures; includes information on the treatment of special problems such as pest control and moisture. 627J. Free. 32 pp. 1979.

Simple Home Repairs Outside. . . contains instructions for repairing roofs, doors, windows, porches, steps, sidewalks, etc. 169J, $1.50, 40 pp. 1978.

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